The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF

The Society of Incorporated Accountants and Auditors

THE INCORPORATED ACCOUNTANTS' JOURNAL *is published monthly, on the first day of each month, at an Annual Subscription of* 12*s.* 6*d., which includes postage to all parts of the world. The price of a single copy is* 1*s.* 3*d., postage extra.*

Communications respecting the general business of the paper to be addressed to the Secretary of the Society of Incorporated Accountants and Auditors, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2. Cheques and postal orders should be made payable to the Society, and crossed "Bank of England."

Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

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Professional Notes.

PARTICULARS of the programme of the Incorporated Accountants' Autumnal Conference will be found in this issue. The Conference is to be held in Sheffield from Wednesday, September 24th, to Saturday, September 27th, upon the invitation of the Sheffield and District Society of Incorporated Accountants. On the evening of September 24th the President (Mr. Percy Toothill) and Mrs. Toothill will welcome members and guests at a Reception to be followed by a Dance. The business of the Conference will be opened in the Council Chamber of the Town Hall on Thursday, September 25th, at 10.30 a.m., by the Lord Mayor of Sheffield, Alderman C. W. Beardsley. There are many Incorporated Accountants who have happy memories of former Conferences in Sheffield and everything points to a successful gathering, which will be no less enjoyable and instructive than the meetings of former days.

The Lord Mayor of Norwich, Mr. H. Harper Smith, F.S.A.A., was entertained on July 21st at a Complimentary Luncheon at the Royal Hotel, Norwich, by the members of the East Anglian District Society of Incorporated Accountants. The Chair was occupied by Mr. H. P. Gowen, F.S.A.A., the ex-Lord Mayor, and the President of the Society, Mr. Henry Morgan, made a journey from London to be present. The interesting speeches contained in this issue are an excellent illustration of the qualifications of Incorporated Accountants for public service, and we heartily congratulate once again the Lord Mayor and his predecessor in the Chair on the services they have rendered their city as public spirited members of the accountancy profession and Fellows of the Society of Incorporated Accountants and Auditors.

Mr. Henry Morgan, in reply to the toast of "The Society," proposed by his Honour Judge Herbert Smith, made one of his characteristic speeches, in which he drew attention to the results of the boom in stocks and shares which collapsed so disastrously in the autumn of 1929. Mr. Morgan reiterated his opinion that shareholders do not possess a fair and proper method of recording their votes, and therefore are not able to exercise legitimate influence in connection with the affairs of public companies or the constitution of the boards of directors.

Mr. Morgan said it is a strange anomaly that, in the case of Parliamentary and Municipal elections, exceptional facilities are provided for allowing voters to express their opinions, while shareholders in public companies have to record their votes through the medium of a General Meeting, a method which in his opinion is obsolete and thoroughly unjust.

There is much to be said for further consideration being given to this important matter, which

Mr. Morgan argues with skill and ability, but the remedy is not simple. The difficulty is to get shareholders to give attention to the affairs of companies in which they are investors, and the position is complicated to-day by the mass of Stock Exchange speculators who are not real investors, but are operators for the rise or fall. The apathy of the English public is not unknown even in Municipal and Parliamentary elections. The former often fail to attract the votes of 50 per cent. of the electors, and if a Parliamentary constituency can be induced on some great issue to record a poll of 75 per cent. of an electorate, it is trumpeted all over the country as a wonderful achievement.

The Solicitors (Clients' Accounts) Bill has been introduced into the House of Commons by Sir John Withers. It provides for payment of moneys held by practising solicitors on account of their clients into a separate "Clients' Account," at their bankers. It also provides that every practising solicitor shall keep such books of account as are necessary and proper for disclosing his business transactions and ensuring and proving compliance with the provisions of the Act. It is further laid down that every practising solicitor shall produce to the Law Society a certificate signed by a qualified accountant stating whether or not during the period of audit the practising solicitor has duly complied with the provisions of the Act, and whether at the end of the audit period the total balance standing to the credit of the client's account was equal to or whether and by how much it was more or less than the total of the moneys then held by such practising solicitor on account of any of his clients.

We understand that the Bill is introduced into Parliament by Sir John Withers as a private member, that it has not the official support of the Law Society, and that there is a difference of opinion in regard to the advisability of proceeding with the Bill as it stands between Sir John Withers and the Council of the Society. We also understand that Sir John has resigned his seat on the Council on account of this difference. For our part we do not think that substantial progress is likely to be made until the Law Society can be brought into agreement and the Government of the day express their consent to an agreed measure in the interests of the general public.

In this issue appears the "Opinion" or Judgment of the New York Supreme Court, Appellate Division, in the matter of *Ultramares Corporation* (Appellant) *and Touche, Niven & Co.* (Respondents). It was an appeal by the plaintiffs from an Order of the Supreme Court, New York County, made at Trial Term, granting defendants' motion to set aside the verdict in plaintiff's favour on the first cause of action herein and dismissing the complaint and the judgment entered thereon. The Court by a majority of three Judges to two reversed the Order setting aside the verdict, which they reinstated and entered judgment thereon for the plaintiffs. The case will now, we understand, be taken by the defendants to the New York Court of Appeals, and a final decision may be expected in the autumn.

The judgment is of outstanding importance to public accountants in the United States, and if confirmed by the Highest Court it may well lead to an extension of the liability and responsibility of auditors, although of course, the judgment must be considered in relation to the facts of the case as disclosed to the Court. According to the majority judgment, the defendants, public accountants, had been held liable to the plaintiff, to whom they owed no contractual duty through any contract of employment which the plaintiff entrusted to them. The question for the Court was whether a duty arose there in the absence of direct contractual relation out of the situation disclosed by the evidence.

The evidence before the Court alleged that the defendants knew for four years that their client was a borrower from banks in large sums and that these banks required certified balance sheets as a basis for making loans, and that the client would require these certified balance sheets for continuing existing loans and securing new loans. So that this might be done 32 original counterparts of the certified balance sheets were requested by the client and furnished by the defendants. The jury's verdict thus imported that defendants knew that the certified balance sheets would be used by the clients for the purpose of procuring loans, and that loans on the faith thereof would be made by persons who would be governed by the contents of the balance sheets.

After reviewing the certificate of the auditors, which is contained in our report, the majority of the Court held that there was a careless performance of a service which found in the words of the certificate its culmination and its summary. There was an act performed carelessly, intended to influence the actions of third parties, and one

that reasonably might be expected when carelessly performed to cause substantial loss, and the majority of the Court held that a duty existed towards those whom the accountants knew would act on the faith of their certificates.

On the other hand the two members of the Court who dissented from the majority judgment held that the professional man, be he accountant or otherwise, certified for his client and not for all the world. If the client made it clear to such a man that the statement was to be used in a particular transaction in which a third party was involved, such circumstances should create a duty from the professional man to such third party. If the accountant was to be held to an unlimited liability to all persons who might act on the faith of the certificate, the accountant would be obliged to protect himself by a verification so rigid that its cost might well be prohibitive, and a limited but useful field of service thus closed to him. We await the result of the final appeal with interest.

A decision has just been given by the Court of Appeal which is of considerable importance to charitable institutions. It will be remembered that the exemption of charities from Income Tax conferred by sect. 37 (1) of the Income Tax Act, 1918, was restricted by sect. 20 (1) (*b*) of the Finance Act, 1922, which provided, briefly, that the income payable to another person under a disposition made after May 1st, 1922, for any period which cannot exceed six years is to be deemed to be the income of the disponor for Income Tax purposes. A subscriber entered into a covenant dated February 3rd, 1927, to pay an annual sum to the Trustees of the Hostel of St. Luke for a period of seven years, the first payment being due on December 31st, 1926, and the further payments on December 31st in each succeeding year, the final payment being due on December 31st, 1932. The Trustees claimed repayment of the tax deducted from the payment made on December 31st, 1928.

There was no dispute as to the hostel being a "Charity," but it was contended on behalf of the Inland Revenue Authorities that the covenant came within the provisions of sect. 20 of the Finance Act, 1922, inasmuch as the period between the date of the covenant and the date of the last payment was less than six years. The Special Commissioners decided in favour of the Charity, and their finding was upheld by Mr. Justice Rowlatt. The Court of Appeal, however, took the view that, as the first payment could not have been due before February, 1927, when the covenant was entered into, and the last payment was due in December, 1932, all the payments became due within a period of six years, and they accordingly allowed the appeal.

Taxpayers throughout the country who have not made their returns for Income Tax for the year 1930-31 have been receiving from Inspectors of Taxes reminders that such returns are in arrear. Several members of the Society of Incorporated Accountants have complained of irritation caused by the issue of these reminders to their clients, despite the fact that they are already preparing returns and are in communication with Inspectors of Taxes. Representations have been made to the Chief Inspector of Taxes Department of the Inland Revenue by the Assistant Parliamentary Secretary of the Society. The Department advises that where the accountant arranges for his client to forward Form 11 to him and at the same time notifies the Inspector that he is preparing the return, giving the index numbers appearing on the form, it is the practice of Inspectors not to issue Reminder Form 155.

We have just received the report of the Professional Classes Aid Council for the year ended April 30th, 1930. Commencing in 1914 as the Professional Classes War Relief Council, it was reconstructed after the War under its present title. The Council includes representatives of nearly all the important professional bodies, and is, therefore, frequently able to give valuable advice and also financial assistance in the education of children or in relieving temporary distress due to illness or similar causes. The Council maintains close touch with the benevolent associations of the professions, and, while particular care is taken not to encroach upon their functions, it is often able to deal with cases outside the scope of their activities.

Professional Honour.

The name of Mr. William Bateson, F.S.A.A., Borough Treasurer of Blackpool, has been added to the Commission of the Peace for the County Borough of Blackpool. Mr. Bateson has been identified with the work of the Society of Incorporated Accountants and Auditors for 38 years, and recently retired from the Council.

PREMIUMS ON REDEEMABLE PREFERENCE SHARES.

A GOOD deal of discussion has taken place in regard to the provisions of sect. 46 of the Companies Act, 1929, in relation to the Capital Redemption Reserve which has to be provided when redeemable preference shares are paid off, and we publish this month a letter from a correspondent dealing with the subject. The complaint is that in order to comply with the Act, the Profit and Loss account has to be debited twice with the amount of the premium. To appreciate the position fully it is necessary to consider the matter from the time of the issue of the shares. Hitherto preference shares have been irredeemable, and, therefore, have stood as permanent capital, subject to any application to the Court for a reduction. Redeemable preference shares, however, are in quite a different position, and must be looked upon more as deferred creditors than as capital in the general sense, but the important point is that they must be redeemed without depleting the assets. Perhaps the best course is to take a simple example. Assume that a company is formed with capital consisting of 20,000 ordinary shares of £1 each and 10,000 redeemable preference shares of £1 each, the latter redeemable at 22s. per share, or a premium of 10 per cent. Assume also that the whole of the nominal amount of this capital is payable in cash. The opening balance sheet of the company would in the ordinary course appear as under :—

Dr.			Cr.
20,000 Ordinary Shares ..	£20,000	Cash	£30,000
10,000 Redeemable Preference Shares .. (Redeemable at 22s. per share.)	10,000		
	£30,000		£30,000

It will be observed that although the preference shares are redeemable at £11,000, only £10,000 appears as a commitment, so that the company's assets are short of its capital commitments by £1,000—the amount of the premium. This £1,000 is not due until a later date, but neither is the £10,000 of nominal preference share capital. What the Act apparently contemplates is that the company's assets are in fact equivalent to its capital commitments. In order that this should be so it would be necessary to show the premium of £1,000 not as a memorandum only, but as a specific item in the balance sheet, thus making a total capital commitment of £31,000, as against assets of £30,000 only. This would mean that out of the first profits of the company a provision of £1,000 should be made to cover the premium, and what in effect the Act provides is that the assets which represented the capital of the company shall not fall below £31,000. The correspondence which we have seen, however, does not contemplate any provision being made for the premium when the shares are issued, but leaves the matter to be dealt with when the redemption date arrives. The result is that in order to comply with sect. 46 of the Act, which provides that there must be transferred to a Capital Redemption Reserve Fund "a sum equal to the amount applied in redeeming the shares," it is necessary to establish a reserve fund of £11,000, and also provide for the £1,000 liability for premium, which has hitherto been left in abeyance. Had the premium of £1,000 been provided out of profits in the first instance as above indicated, no question would have arisen, as £11,000 would have appeared on the company's balance sheet in respect of the shares, and would be replaced by the reserve of £11,000 required by the Act. It is only because this has not been done that any question of a double debit to profit and loss account arises. The Act in effect says that if the company chooses to go on for a number of years with a prospective liability of £1,000 not provided for on its balance sheet, it must make a provision before, or concurrently with, the redemption of the shares—that is to say, the assets representing capital must be brought up to a figure equivalent to the full capital commitment.

The position of the company's creditors has to be borne in mind, and it has apparently been considered that the original assets should represent the full amount of the capital commitment and not merely its nominal value. It follows that in order to retain this position a reserve of £11,000 is necessary, and the fact that a double debit to profit and loss account for the amount of premium on the redeemable shares becomes necessary, is merely a result of the company not carrying on its balance sheet from the beginning a provision for the amount of the premium. The fact is that the company in the first instance has depleted its assets by committing itself to a liability for which no cash was received, and the Act requires that this depletion shall be made good before the redeemable preference shares can be removed from the balance sheet. Whether the Government, in drafting the Bill, realised fully the incidence of the operation may be open to doubt in view of the fact hat where shares are redeemed

out of the proceeds of a fresh issue, there is no provision that the Capital Redemption Reserve Fund shall include the premium. At the same time there is the specific requirement that *before* the shares are redeemed the premium must have been provided for out of the profits, which shows a clear intention that as a condition precedent to the redemption the company is expected to put its house in order.

WHAT IS AN ANNUITY?

WHAT is an annuity? was discussed in some detail in the case of *Perrin* v. *Dickson* (1929). In that case the respondent took out a policy of assurance whereby, in consideration of annual premiums of £90 payable from 1912 to 1917, the insurance company agreed to pay, for the benefit of the respondent's son, an annuity of £100 for seven years from 1920 if the son should live so long. There was a provision that in the event of the death of the son the total premiums, less any amount already paid by way of annuity, but without interest, should be paid to the respondent. It was held that as the contract was for the repayment of the principal sum by instalments, with or without interest in accordance with events, the respondent was not liable to be assessed to income tax under Schedule D in respect of the sums paid under the policy, except in so far as those sums might be found, after actuarial calculation, to represent interest on the premiums.

The Court of Appeal said that it did not matter what each assurance contract in the case was called. If it were an annuity, no dressing of the transaction could alter its character. Stripped of its form, each transaction seemed to be a method of saving up money for future use. It was a method whereby, on a series of payments being made, provision for the repayment of a series of larger sums at a later date could be secured. It appeared to be a transaction that could have been done as well by a bank after a reference to a table of compound interest giving the rate to be paid for redemption of capital.

The principle as to the construction of the word "annuity" was laid down in *Foley* v. *Fletcher* (1858), 3 H. & N., 769) and has never been departed from. In that case the plaintiff sold an interest in mines for a sum, part of which was to be paid by instalments spread over a number of years, and the purchaser claimed to deduct tax. It was held that the instalments were not chargeable, for they were not "annuities" or "annual payments" payable by virtue of any contract. Baron Pollock dealt with the difference between profits and capital, and said that "annuities" or "annual payments" were excluded in cases of contracts to repay a debt, and Baron Watson gave the definition that "an annuity means when an income is purchased with money and the capital has gone and ceased to exist."

In *Scoble* v. *Secretary of State for India* (1903) the Court of Appeal held that the annual payments, which represented partly the purchase price of the Great Indian Peninsular Railway and partly interest on the purchase price remaining unpaid, were not taxable as a whole, but that tax fell only on the part representing interest. The Crown argued that the principal sum had been sunk, as in the case of the purchase of an annuity, but the Court thought that the mode of payment, though called an annuity, was really the purchase price of the railway by annual instalments, plus interest on the amount remaining unpaid. The House of Lords affirmed this decision, the Lord Chancellor saying that it was the duty of those who asserted and not of those who denied to establish the proposition sought to be established, that this was "an annuity" within the meaning of the Act. It was agreed that the nature of the transaction and not the mere use of words must be looked at. This was not the case of a purchase of an annuity. It was a case in which, under powers reserved by a contract, one of the parties agreed to buy from the other party what was their property, and what was called an "annuity" in the contract, and in the Statute was a mode of making the payment for that which had become a debt to be paid by the Government. That introduced this consideration: Was it the intention of the Income Tax Acts ever to tax capital as if it were income? He thought it could not be doubted, upon the language and the whole purport and meaning of the Acts, that it never was intended to tax capital—as income, at all events. Under the circumstances he thought he was at liberty so far to analyse the nature of the transaction as to see whether this annual sum which was being paid was partly capital, or was to be treated simply as income. The inquiry starts with the fact of an antecedent debt which has to be paid, and if those sums, which it could not be denied were partly in liquidation of that debt, were to be taxed as if they were income in each year, the result would be that part of the capital would be taxed. He did not think it was the intention of the Legislature to tax capital, and therefore the claim as against part of those sums failed. The income tax was not and could not be, from the nature of things, cast upon absolutely logical lines, and to justify the exaction of the tax the things taxed

must have been specifically made the subject of taxation. Looking at the circumstances and the word "annuity" used in the Acts, he did not think that the case came within the meaning which—using the Income Tax Acts themselves as the expositors of the meaning of the word—was intended by the word "annuity," and that was the only word that could be relied upon as justifying what would be a taxation of capital.

In *Chadwick* v. *Pearl Life Insurance Company* (1905) it was pointed out that it might be very difficult to distinguish between an agreement to pay a debt by instalments and an agreement for good consideration to make certain annual payments for a fixed number of years. The mere circumstance of a pre-existing debt is not the test. The test is to ascertain whether the principal sum is liquidated or not. If it is liquidated, the annual payments made in consideration of the debt constitute an annuity. If the principal sum is not liquidated, but continues to exist and is repaid in annual instalments, the repayment does not constitute an annuity. In *Chadwick's* case the annual payments were not a principal sum at all, but were paid and received as income. In *Perrin's* case the position was not so much that the principal was repaid by means of the annuities as that it was never parted with. In the case of a life annuity the principal sum is of necessity parted with and disappears, but in that case the principal is not lost sight of; it was always there, to be repaid in certain events without interest, in other events with interest.

Obituary.

CYRIL REGINALD ALBAN GOATLY.

We regret to announce the death of Mr. Cyril Reginald Alban Goatly, A.S.A.A., son of Mr. Walter D. Goatly, A.S.A.A., of the firm of W. D. Goatly & Co., 11, Old Jewry Chambers, London, E.C. Mr. Goatly was educated at Worksop College, Nottingham, and became a member of the Society in 1911, after serving articles with his father. He went to Penang in 1912, and in 1920 to Calcutta, where he died on June 20th last at the early age of 41. At the time of his death he was manager in charge of the insurance business department of Messrs. Gillanders, Arbuthnot & Co., of 8, Clive Street, Calcutta.

PAUL WILLIAM TURQUAND.

We report with regret the death of Mr. Paul William Turquand, of Messrs. Turquand, Turquand & Co., Incorporated Accountants, of 1, Broad Street Buildings, London, E.C. Mr. Turquand was elected a Fellow of the Society in the year 1886, shortly after its incorporation, and has carried on public practice in the City of London since that date.

The practice has been taken over and will be carried on at the same address by his son, Mr. Frank William Turquand, Incorporated Accountant, the style of the firm remaining unaltered.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held at Incorporated Accountants' Hall on July 17th. There were present: Mr. Henry Morgan (President) in the chair; Mr. E. Cassleton Elliott (Vice-President) (London); Mr. R. Wilson Bartlett, J.P. (Newport, Mon.), Mr. R. M. Branson (Leicester), Mr. Henry J. Burgess (London), Mr. D. E. Campbell (Wolverhampton), Mr. W. Allison Davies, O.B.E. (Preston), Mr. Walter Holman (London), Mr. Thomas Keens (Luton), Sir James Martin, J.P. (London), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. William Paynter (London), Mr. A. E. Piggott (Manchester), Mr. G. S. Pitt (London), Mr. J. Stewart Seggie (Edinburgh), Mr. Percy Toothill (Sheffield), Mr. Frederic Walmsley, J.P. (Manchester), Mr. R. T. Warwick (London), Mr. E. W. C. Whittaker, J.P. (Southampton), Sir Charles H. Wilson, J.P., LL.D. (Leeds), Mr. A. E. Woodington (London), Mr. F. Woolley, J.P. (Southampton), Mr. A. A. Garrett (Secretary), Mr. J. R. W. Alexander (Parliamentary Secretary), and Mr. E. E. Edwards (Assistant Parliamentary Secretary).

Apologies for non-attendance were received from Mr. C. Hewetson Nelson, J.P., Mr. Alan Standing, Mr. A. H. Walkey and Mr. E. T. Kerr.

DEATHS.

The Secretary reported the deaths of the following members:—Mr. Herbert John Brooke (Fellow), Illinois, U.S.A.; Mr. James Henry Bunting (Associate), Oldham; Mr. Alfred Rendell Edwards (Fellow), Dorchester; Mr. Arthur Kivell Fisk (Fellow), Montreal; Mr. Edgar Trendell Gale (Associate), London; Mr. Cyril Reginald Alban Goatly (Associate), Calcutta, India; Mr. Frank Keeler (Associate), London; Mr. Robert Leslie Little (Associate), Blackpool; Mr. Herbert George Scott (Fellow), London; Mr. Frederick Stokes (Associate), Nottingham; Mr. Paul William Turquand (Fellow), London; Mr. John Williams (Fellow), Hale, Cheshire.

BRANCHES AND DISTRICT SOCIETIES SCHEME.

Advices indicated that the scheme was working satisfactorily and had stimulated the interest of members in the work of the Branches and District Societies.

A report was received that substantial progress had been made with the formation of a London District Society.

The Council resolved that Bye-Law 24 was applicable to candidates from the time of passing or obtaining exemption from the Preliminary examination up to the date of passing the Final examination. It therefore becomes a condition precedent to sitting for the Intermediate and Final examinations that candidates shall have been members of a Students' Section of a Branch or District Society and shall have maintained their subscription as such.

WIDOWS', ORPHANS' AND OLD AGE PENSIONS.

[CONTRIBUTED.]

THE publication of the accounts of the Pensions Funds for the year ended March 31st, 1929, affords an opportunity of again reviewing the position at the end of the first three and a quarter years of their existence.

The following is a summary of the receipts and payments for the year to March 31st, 1929 :—

	England.	*Scotland.*	*Total.*
Receipts :			
Sale of Stamps at Post Offices	£18,636,393	£2,232,928	£20,869,321
Other Government Departments	151,211	8,173	159,384
Employers' Deposits	1,184,899	72,183	1,257,082
Contributions in Cash :			
Excepted Persons	350,306	30,185	380,491
H.M. Forces	588,232	35,068	623,300
Mercantile Marine (from January, 1929, only)	6,414	—	6,414
	20,917,455	2,378,537	23,295,992
Less Refunds	9,519	4,098	13,617
Net Total Contributions	20,907,936	2,374,439	23,282,375
Receipt under Statutory Undertakers' Total Exemption Regulations	17,476	—	17,476
Miscellaneous	—	—	—
Total Receipts	20,925,412	2,374,439	23,299,851
Withdrawals from Treasury Pensions Account	1,510,000	282,000	1,792,000
Balances brought forward, April 1st, 1928	—	10,357	10,357
Balances carried forward, March 31st, 1929	102,548	—	102,548
	£22,537,960	£2,666,796	£25,204,756

	England.	*Scotland.*	*Total.*
Payments :			
Widows' Pensions : Contributory	£4,433,302	£536,456	£4,969,758
Non-Contributory	3,385,414	481,803	3,867,217
Orphans' Pensions : Contributory	73,638	13,231	86,869
Non-Contributory	187,163	36,321	223,484
Old Age (65-70) Pensions	12,233,527	1,421,325	13,654,852
Total Pension Payments	20,313,044	2,489,136	22,802,180
Extra-Statutory and Irregular Payments (irrecoverable)	1,914	359	2,273
Administration	904,599	117,037	1,021,636
Total Payments	21,219,557	2,606,532	23,826,089
Transfers to Treasury Pensions Account	1,312,000	50,500	1,362,500
Balances brought forward, April 1st, 1928	6,403	—	6,403
Balances carried forward, March 31st, 1929	—	9,764	9,764
	£22,537,960	£2,666,796	£25,204,756

Comparing this statement with that published in the March, 1929, issue of this *Journal*, for the year to March 31st, 1928, it will be observed that on the Receipts side, little change has taken place in the amount of contributions collected in respect of the insured population. It can be inferred that unless a considerable reduction takes place in the volume of unemployment, the contribution income of the funds will show only a slight increase over the next few years as the younger generation comes into insurance. Thus, it will probably be some years before this income rises beyond £25,000,000 per annum. Two items appear for the first time : (*a*) Mercantile Marine contributions are now, since January, 1929, payable in cash by the shipowners direct to the Ministry of Health instead of the normal practice of stamping contribution cards ; (*b*) The first receipt under sect. 9 (2) of the 1925 Act is recorded from a statutory company which provides health and pensions benefits not less favourable than those conferred by the Health Insurance and Pensions Acts, and the established employees of which are accordingly excepted from the provisions of these Acts. The payment represents the actuarial value of the company's liability to the State on behalf of the reserved rights of its employees affected under the scheme, to benefits under the Pensions Act, 1925, for a period beyond the date upon which the company contracted out.

As regards the payment of pensions, comparison shows that the forecast made last year as to the probable trend has proved substantially accurate. Widows' "non-contributory" pensions have fallen from £4,549,629 to £3,867,217, while, on the other hand, widows' "contributory" pensions have risen from £3,186,360 to £4,969,758. Similar developments are disclosed in the case of orphans' pensions, while old age (65-70) pensions amount, as anticipated, to almost £14,000,000 in 1928-29, the first full year for which this class of pension was payable. The cost of administration still tends to increase, having risen from £898,227 in 1927-28 to £1,021,636 in 1928-29, but the ratio to pensions expenditure has dropped from 8 per cent. to 4.5 per cent. All over, expenditure has increased from about £12,000,000 in 1927-28 to nearly £24,000,000 in 1928-29 (in other words, has practically doubled), principally on account of the 65-70 pensions coming into full force for the first time in the latter year. The reflection of this great increase in expenditure (while, as already stated, contribution income has remained practically stationary at under £24,000,000) is seen in the fact that whereas surplus income was being paid into the Treasury Pensions Account and was, together with the annual subsidy of £4,000,000, rapidly accumulating there until December, 1927, the withdrawals from Treasury Pensions Account since that date have exceeded the amounts paid in by the Pensions Funds. The following abstract of the three Treasury Pensions Accounts covering the whole period illustrates the position :—

	January, 1926, to March, 1927.	*Year to March 31st, 1928.*	*Year to March 31st, 1929.*
	£	£	£
Receipts from Pensions Funds under Sect. 11 (2) of the 1925 Act	16,708,850	11,651,650	1,362,500
Voted by Parliament under Sect. 11 (2) of the 1925 Act	4,000,000	4,000,000	4,000,000
Interest on Investments	286,357	1,097,439	1,798,618
	20,995,207	16,749,089	7,161,118
Withdrawals by Pensions Funds under Sect. 11 (5) of the 1925 Act	—	322,000	1,792,000
Excess of Receipts over Issues	20,995,207	16,427,089	5,369,118
			16,427,089
			20,995,207
Total accumulated balance			£42,791,414
The accumulated balance is actually represented by the following investments:—			
4½ per cent. Treasury Bonds, 1932			£34,166,662
4½ per cent. Treasury Bonds, 1934			8,925,578
			£43,092,240

Reverting again to the Pensions Funds, the following cumulative statement of receipts and payments over the whole period is instructive, especially if compared with the similar statement published last year for the period to March 31st, 1928:— previous year was greater, and that in the normal course it would have become a diminishing quantity, for the reasons given in the article of last year. Now, however, with the passing of the 1929 Amending Act, which came into force on January 2nd, 1930, the whole basis of

	England.	*Scotland.*	*Total.*
Receipts:	£	£	£
Sale of Stamps at Post Offices	58,040,673	6,942,415	64,983,088
Other Government Departments	476,072	23,903	499,975
Employers' Deposits	3,576,687	199,541	3,776,228
Contributions in Cash:			
Excepted Persons	1,130,430	98,982	1,229,412
H.M. Forces	1,904,059	100,818	2,004,877
Mercantile Marine (from January, 1929, only)	6,414	—	6,414
	65,134,335	7,365,659	72,499,994
Less Refunds	65,675	11,783	77,458
Net Total Contributions	65,068,660	7,353,876	72,422,536
Receipt under Statutory Undertakers' Total Exemption Regulations	17,476	—	17,476
Miscellaneous	208	—	208
Total Receipts	65,086,344	7,353,876	72,440,220
Withdrawals from Treasury Pensions Account	1,790,000	324,000	2,114,000
Balances carried forward, March 31st, 1929	102,548	—	102,548
	£66,978,892	£7,677,876	£74,656,768
Payments:	£	£	£
Widows' Pensions: Contributory	8,441,331	1,012,289	9,453,620
Non-Contributory	13,141,478	1,864,795	15,006,273
Orphans' Pensions: Contributory	139,690	24,099	163,789
Non-Contributory	659,512	128,139	787,651
Old Age (65-70) Pensions	14,938,037	1,721,127	16,659,164
Total Pension Payments	37,320,048	4,750,449	42,070,497
Extra-Statutory and Irregular Payments (irrecoverable)	4,085	713	4,798
Administration	2,521,759	326,950	2,848,709
Total Payments	39,845,892	5,078,112	44,924,004
Transfers to Treasury Pensions Account	27,133,000	2,590,000	29,723,000
Balances carried forward, March 31st, 1929	—	9,764	9,764
	£66,978,892	£7,677,876	£74,656,768

The statement shows that the Contribution Income has already reached the large total of £72,440,220, of which £44,924,004 has been expended in pensions and administration, the surplus of £27,516,216 forming part of the balance in the Treasury Pensions Account (in addition to three years' Exchequer Grant of £4,000,000 per annum). It should be noted that the surplus at the end of the expenditure is widened, and any forecast as to the future must be made in the light of the changed conditions. The provisions of this Act were the subject of an article by another contributor in the February, 1930, issue of this *Journal*, and there is no need to refer to these again in detail, but it is necessary to consider their effect on the finance of the scheme.

The following summary of the additional expenditure is extracted from a financial memorandum which accompanied the Bill when laid before Parliament, and has been slightly amplified :—

	Estimated Cost in 1930-31.	*Estimated Cost* in 1931-32.	*Estimated Cost for Period to March* 31*st*, 1936.
	£	£	£
(1) Pensions to widows aged 55-70 of men of the insured class	4,600,000	7,300,000	37,600,000
(2) Pensions to widows aged 65-70 of insured men over 70 on January 2nd, 1928	550,000	(say) 350,000	2,000,000
(3) Relaxation of conditions as to contributions in certain cases	500,000	(say) 430,000	2,400,000
(4) Extension of pensions to " Pre-Act " widows with children	470,000	450,000	2,600,000
(5) Removal of disqualification of inmates of lunatic asylums	150,000	150,000	900,000
(6) Full allowances to children in workmen's compensation cases	100,000	(say) 120,000	800,000
(7) Additional expenses of Administration	100,000	200,000	1,000,000
	£6,470,000	£9,000,000	£47,300,000

In order to provide for this additional expenditure, the Act raises the Exchequer grant from the £4,000,000 per annum laid down by the 1925 Act to £9,000,000 for 1930-31, increasing by an arithmetical progression of £1,000,000 per annum till it reaches £21,000,000 per annum in the year 1940-41, and onwards. This additional provision, it is explained, will cover the additional expenditure over the period 1930-31 to 1935-36 ; it will obviate the sharp increase in the Exchequer grant which, under previous conditions, would have been necessary in 1936-37, and it is so designed in conjunction with the increase in contributions which occurs in 1936-37 that cumulative income and expenditure over the whole period to March, 1946, will be more or less equated, and the balance in Treasury Pensions Account will have disappeared, after which it is anticipated that, with the further increase in contributions (v. the previous article) the Pensions Funds should be able to carry on without any further increase in Exchequer grant. The following table shows the future trend of receipts and payments on the revised basis as estimated by the Government actuaries. The small additional expenditure shown in 1929-30 is due to the provisions under (2), (3), (4), (5) and (6) of the summary already given, taking effect as from January 2nd, 1930, *i.e.*, in the last quarter of the year in question :—

CONTRIBUTORY PENSIONS.—ESTIMATED RECEIPTS AND PAYMENTS, AND BALANCES IN THE TREASURY PENSIONS ACCOUNT DURING THE PERIOD FROM APRIL 1ST, 1929, TO MARCH 31ST, 1946.
(*Figures in £ Millions.*)

Financial Year.	*Receipts from Contributions* (1)	*Interest.* (2)	*Exchequer Contributions.* (3)	*Total Income.* (4)	*Expenditure under Present Scheme.* (5)	*Expenditure under New Proposals.* (6)	*Total Expenditure.* (7)	*Balance in Treasury Pensions Account at End of Year* (8)
1929-30 ..	23.4	1.9	4.0	29.3	26.7	.6	27.3	44.8
1930-31 ..	23.7	1.9	9.0	34.6	28.9	6.5	35.4	44.0
1931-32 ..	23.8	1.8	10.0	35.6	30.7	9.0	39.7	39.9
1932-33 ..	23.9	1.5	11.0	36.4	32.4	8.6	41.0	35.3
1933-34 ..	24.0	1.2	12.0	37.2	34.4	8.0	42.4	30.1
1934-35 ..	24.1	1.0	13.0	38.1	36.3	7.5	43.8	24.4
1935-36 ..	25.6	.8	14.0	40.4	38.0	7.1	45.1	19.7
1936-37 ..	29.7	.7	15.0	45.4	40.1	6.6	46.7	18.4
1937-38 ..	29.8	.6	16.0	46.4	41.8	6.2	48.0	16.8
1938-39 ..	30.0	.6	17.0	47.6	43.2	5.9	49.1	15.3
1939-40 ..	30.0	.5	18.0	48.5	44.7	5.6	50.3	13.5
1940-41 ..	30.1	.4	19.0	49.5	46.1	5.3	51.4	11.6
1941-42 ..	30.1	.3	20.0	50.4	47.3	4.9	52.2	9.8
1942-43 ..	30.2	.2	21.0	51.4	48.5	4.6	53.1	8.1
1943-44 ..	30.3	.2	21.0	51.5	49.5	4.3	53.8	5.8
1944-45 ..	30.3	.1	21.0	51.4	50.3	4.1	54.4	2.8
1945-46 ..	31.7	—	21.0	52.7	51.2	3.7	54.9	.6

The foregoing table is so clear that further explanation is hardly necessary. As regards receipts, readers will observe the slow increase in contribution receipts, with a sharp rise in 1936-37, when the rates increase, the steady diminution in interest receipts due to the encroachments on the balance in Treasury Pensions Account (col. 8), and the arithmetical progression in the Exchequer contribution already referred to. On the expenditure side it will be noticed that, while expenditure under the 1925 Act steadily increases until in 1945-46 it is estimated to amount to almost double the 1929-30 figure, the supplementary expenditure under the 1929 Act reaches its peak in 1931-32, and thereafter steadily diminishes. This is due to the fact that the permanent elements in the new provisions represent the smaller concession by which disqualifications are removed (v. 3, 5, and 6 of summary), while the largest item ((1) in summary), viz, the grant of pensions to widows aged 55 and upwards of men who died before 1926 and who are childless or whose children have passed the age of 16, will rapidly diminish as those additional pensions cease on death or on transfer to the normal 65-70 Ald Age Pension Class.

The whole table is boldly conjectural, but it is highly improbable that it will ever be put to the proof, for it is more than likely that the Pensions Scheme will be subjected from time to time to further amendments, which will alter to a greater or less extent its financial basis—just as has been the experience of its elder sister, the National Health Insurance Scheme.

Conference of Incorporated Accountants in Sheffield.

September 24th to 27th, 1930.

An invitation has been extended to the Society by the Sheffield and District Society to hold a Conference of Incorporated Accountants in Sheffield on Wednesday to Saturday, September 24th to 27th. The following programme has been arranged :—

WEDNESDAY, SEPTEMBER 24th.

Evening.—At the Royal Victoria Hotel. Reception and Dance (by invitation of the members of the Sheffield and District Society). The President (Mr. Percy Toothill, F.S.A.A.), Mrs. Toothill, and Committee of the Sheffield and District Society will receive members and guests at 7.30 p.m.

THURSDAY, SEPTEMBER 25th.

Morning, 10.30 a.m. to 12.45 p.m.

(*a*) **Opening of the Conference** by the Lord Mayor of Sheffield (Alderman C. W. Beardsley, J.P.) in the Council Chamber, Town Hall.

(*b*) **Address** by Mr. Henry Morgan, London, President of the Society of Incorporated Accountants and Auditors, followed by a Discussion.

1.15 p.m. Luncheon at the Royal Victoria Hotel, by invitation of the Sheffield and District Society. Chairman, Mr. Percy Toothill, F.S.A.A.

Afternoon, 3 p.m.

(*a*) **Visit** to the works of Walker & Hall, Limited, Cutlery and Electro-Plate Manufacturers, by kind invitation of the Directors. (Afternoon tea at the works.)

or

(*b*) **3.15 p.m. Visit** to the works of Thomas Firth and Sons, Limited, Manufacturers of Stainless Steel, by kind invitation of the Directors. (Afternoon tea at the works.)

Evening, 7.30 p.m. Civic Reception by the Lord Mayor of Sheffield and the Lady Mayoress (Alderman C. W. Beardsley, J.P., and Mrs. Beardsley), at the Town Hall. Dancing in the Large Hall.

FRIDAY, SEPTEMBER 26th.

Morning, 10.15 a.m. to 12.15 p.m. At the University of Sheffield, Firth Hall, Western Bank. Paper by Mr. C. Hewetson Nelson, J.P., F.S.A.A., Liverpool (Past President of the Society), followed by a Discussion.

Afternoon, 2.30 to 5 p.m.

(*a*) **Visit to the University of Sheffield,** including the Applied Science Department, by invitation of the Vice-Chancellor.

or

(*b*) **2 to 5 p.m. Golf Tournament** at the Abbeydale Golf Club, by courtesy of the President and Committee of the Club. There will be a Competition against Bogey (open to Ladies and Gentlemen). Mr. Henry Morgan and Mr. Percy Toothill have kindly presented Prizes.

Evening. Dinner of the Society at the Royal Victoria Hotel.

6.45 p.m. Reception by the President and Mrs. Morgan.

7.15 p.m. Dinner. The President will take the Chair and the Lord Mayor and the Lady Mayoress will be present.

SATURDAY, SEPTEMBER 27th.

Visit to the Peak District. 10 a.m. Motor Coaches will leave Royal Victoria Hotel for a tour of Derbyshire. The route will be via Froggatt, Chatsworth, Haddon Hall, Rowsley (15 minutes halt), Matlock, Via Gelia and Dovedale. After Lunch to Buxton.

Luncheon at the "Peveril of the Peak" Hotel, Dovedale.

Tea at the Palace Hotel, Buxton.

Members may invite ladies to the Dinner and to all the meetings and social functions of the Conference.

Correspondence.

PREMIUMS ON REDEEMABLE PREFERENCE SHARES.

To the Editors *Incorporated Accountants' Journal.*

SIRS,—Your note in this month's issue regarding Redeemable Preference Shares raises a very controversial point.

Where such shares are redeemed out of profits at a premium, the Act is discreetly silent as to how the premium is to be treated.

With due deference to your views, I must disagree with your remarks. The method you mention, which appears to express the letter, if not the spirit, of sect. 46 of the Companies Act, 1929, involves double provision for the premium.

Take the following balance sheet :—

Issued Capital :		Sundry Net Assets ..	£31,000
20,000 Ordinary Shares ..	£20,000	Cash	11,000
10,000 Redeemable Preference Shares .. .. (Redeemable at 22s. per share.)	10,000		
Profit and Loss Account ..	12,000		
	£42,000		£42,000

On redemption of the shares, the cash of £11,000 is paid away, eliminating the Redeemable Preference Shares and creating a *debit* balance on a "Premium on Redemption Account" of £1,000.

£11,000 is then transferred from Profit and Loss Account to the credit of Capital Redemption Reserve Fund. What is to happen to the "Premium Account"? Surely this must be written off? If we debit it to Profit and Loss Account, we have capitalised £12,000 worth of profits on using up £11,000 of assets. This can hardly have been the *intention* of Parliament.

Your further comments would be appreciated.

Yours faithfully,

H. A. R. J. WILSON.

London, *July*, 1930.

[We deal with this matter in a leading article—EDS., *I.A.J.*]

East Anglian District Society of Incorporated Accountants.

The Lord Mayor of Norwich Entertained.

A Complimentary Luncheon to the Lord Mayor of Norwich (Mr. H. Harper Smith, J.P., F.S.A.A.) was given at the Royal Hotel, Norwich, on July 21st. The chair was occupied by Mr. H. P. Gowen, J.P., F.S.A.A., who was supported by the following guests and members:—Mr. Henry Morgan, President of the Society of Incorporated Accountants and Auditors, Mr. E. E. Edwards, Assistant Parliamentary Secretary, Society of Incorporated Accountants and Auditors, His Honour Judge Herbert-Smith, LL.D., Mr. N. B. Rudd, M.A., Town Clerk, Mr. F. W. Cooke, Registrar, Norwich County Court, Mr. G. B. Blunden, H.M. Senior Inspector of Taxes, Norwich, Mr. C. B. L. Prior, Official Receiver in Bankruptcy, Mr. R. G. Acock, Mr. R. C. Larking, Mr. S. T. Tunbridge, Mr. H. O. Bennett, Mr. C. C. Payne, Mr. E. J. Riches, Mr. W. Smith, Mr. O. H. S. Sleightholme, Mr. W. R. Maw, Mr. F. S. Smith, Mr. G. Dugdale, Mr. W. Robinson, Mr. F. G. Platten, Mr. J. D. Freeman, Mr. G. S. Hayhow, Mr. F. Harrison, Mr. C. H. Sutton, Mr. C. W. Francis, Mr. T. D. Turner, Mr. F. Wadge, Mr. S. C. Bishop, Mr. G. D. Hayden, Mr. F. G. L. Moore, Mr. W. P. Gill, Mr. T. H. Tresise, Mr. W. Elven, Mr. D. V. Hayden, Hon. Secretary.

After the loyal toast,

The CHAIRMAN, in proposing the toast of "Our Guests," said: My Lord Mayor and Gentlemen,—I think that first of all I should like to say how pleased we are that we have the presence here to-day of the President of our Parent Society, Mr. Henry Morgan. (Applause.) I take it that he has come not only to honour the East Anglian Society of Incorporated Accountants, but also to grace this luncheon on what is, in my opinion, a unique occasion. Last year you did me the honour of acknowledging my services to my fellow citizens of Norwich, and I had the pleasure of sitting on the right of Mr. Harper Smith and receiving at his hands a very handsome souvenir of your good wishes. I assure you now that that souvenir you kindly gave me is being used and will always be treasured by me. I remember during my Lord Mayoralty that on a public occasion a very gracious lady was making a public presentation to Mr. Harper Smith. When he made his reply he reminded this lady—as a matter of fact he said—"It is tit-for-tat, because when you were married some years ago I was one of a number who journeyed to London to make a presentation to you." I take it I am in a somewhat similar position to-day. It will be a case of tit-for-tat. Mr. Harper Smith, like myself, has served the office of Sheriff of this city, and well he filled that office. To-day he is serving as Lord Mayor, and right well he is filling that office. I would go further. He is not only doing that, but he is doing what many of us cannot do—he is giving general satisfaction to the citizens and at the same time he is enjoying it immensely. It appears to me that it is fitting that the Lord Mayor should be the first President of our local Society, he having been admitted a member in 1898, but it is not merely the length of time that he has been practising for which we admire him, but rather because of his high character and for his integrity, and, if I may say so, for his genial disposition. He has guided the destiny of our Society during the past year with a sure hand, and we are very much indebted to him.

We have been favoured, during our session, with some very excellent lectures on various subjects closely allied to our profession which were given mostly by local gentlemen. We have in the room to-day three of those gentlemen—one in Judge Herbert-Smith, one in the Official Receiver, Mr. C. B. L. Prior, and, to speak more softly, one in His Majesty's Inspector of Taxes. (Laughter.) We have always to bear in mind that our Society in Norwich was formed mainly for the benefit of the student members, but I think it was also formed to maintain the high character and the strictest integrity of our calling. We have only those two things to bear in mind. My Lord Mayor, we are very much indebted to you for all you have done for us in Norwich, and on behalf of the whole of the members I desire your acceptance of this inkstand, and with it, what you will value as much as the stand itself, I give you the very good wishes of all our members. We trust that in future years the ink stand will serve to remind you of our goodwill and of our esteem, and that this day will be to you and your wife a very happy memory. (Applause.)

The LORD MAYOR responded, and said: Mr. Chairman, Mr. President, and Gentlemen,—My first words must be my appreciation of the presence of the new President of our Society, and I take it to be a compliment to myself. I had the pleasure of meeting him in London when he was Vice-President, and I found then what an enormously busy man he was, and that was before taking on the duties of the head of our Society—but is it not generally a fact that it is the busy men who do take on extra work? I am also glad to see some of the leading professional men here as visitors.

There is a reversal of positions of your Chairman and myself. Last year at a complimentary luncheon given to Mr. Gowen I was in the chair as your President when the local Society was launched. To-day, the luncheon is to me and he is in the chair as Vice-President. The date could hardly be more suitable because it is the first anniversary of the local Society. Our Parent Society has been founded 45 years (1885) and I was admitted in 1898. I am now the oldest practising accountant in Norwich. The very existence of our Society is a great asset to

the community. It acts in a protective capacity, and the very fact of being a member is a warranty to the public that at least we have satisfied the examiners that we know something of our subject and that before admission we had to be duly vouched for.

Years ago I dreamt of one day being Mayor of this city, but in 1910 that dream was dispelled by the creation of a Lord Mayoralty. Again I had a far away dream, and this was realised last year when I was honoured by an invitation to undertake the duties of Chief Magistrate of our ancient and honourable city, whose Charters are centuries old, going back to 1158, the first Mayor being appointed by Charter in 1403.

Mr. Gowen having committed the crime of being the first Accountant Lord Mayor of Norwich, I thought I might accept the invitation, and would endeavour to make some sort of job of it. Here we are, two-thirds of the way through the year, and still alive to tell the tale, and I acknowledge that I have enjoyed every minute. (Applause.)

You, members of the Society of Incorporated Accountants, have honoured me by your presence, the luncheon you have given, by inviting leading citizens to be present, and by giving me a very handsome inkstand as an expression of your goodwill. It is self-evident to me that, however inadequately I may have performed the duties attached to my high office, you have given me credit for doing my best. I thank you for that credit, a term we use in another sense, and I trust as the remaining weeks roll on (all too quickly) that that item may have increased so, when I hand over my chain of office, I shall not only have done my duty as a citizen, but have enhanced the reputation of Accountants. I do not know if this giving of complimentary luncheons to one another is to become a habit, but I sincerely hope I see one or two future Lord Mayors in front of me. I see one ex-Mayor, namely, Mr. William Smith, of Lowestoft. I want personally to thank the Chairman (Mr. Gowen) and the Secretary (Mr. Hayden) for their work in connection with this function, and to one and all I tender my most grateful thanks. (Loud applause.)

HIS HONOUR JUDGE HERBERT-SMITH, LL.D., proposed "The Society of Incorporated Accountants and Auditors." He said: I am asked to propose the toast of the Society of Incorporated Accountants and Auditors. I congratulate the East Anglian Branch upon its success. I was present at your birth a year ago. You have grown into a very lusty infant in the short space of twelve months. You have done one thing I think unique even in the annals of Norwich—you have provided two consecutive Lord Mayors, and as far as I can tell, and I am a pretty keen observer of these gentlemen, they have both fulfilled their high office with dignity and ability, and with complete satisfaction to the citizens of Norwich. (Applause.) I think it is an extraordinary tribute to be able to pay to any society such as yours, that it should be able to find two Lord Mayors in so short a period of time.

I am sorry to say that as far as I know, since I have been in Norwich, there has never been a lawyer Lord Mayor yet. Why, I don't know. There seems to be some reason. I expect the real reason is that accountants are a much more flourishing body than lawyers. (Laughter.) I say that for this reason. I have before me from time to time doctors and lawyers who are suing for their fees. I have never yet had an accountant before me who has had to sue for his fee. They are rolling in wealth, it seems to me. You have only to look at the two specimens here (the Lord Mayor and Mr. Gowen). Can anybody suggest that either of these two gentlemen has ever lived anywhere near the border line of starvation. (Laughter.)

I got a notice from your secretary, quite unintentional, I believe, but following precedent, and as soon as he got my acceptance, he sent me a little document headed "Syllabus of Examinations of May, 1930, with regard to qualifying for the Incorporated Accountants and Auditors' Society." Without exception, I think it is the most dismal document I ever read. Why he sent it I can't make out, unless it was his anxiety to give me information which I should retail and send you all to sleep. I rather imagine that it was an indirect innuendo that I should be better employed if I learned a little more accountancy. I don't mind admitting to you that the most weird witnesses I get in the box are accountants. They perform the most extraordinary juggles with apparently quite simple figures, but they leave me in the dark completely. I have to look as though I understood them. I still bear in mind a case which happened in my own recollection many years ago, when an eminent King's Counsel was cross-examining, somewhat furiously, an eminent accountant. They were quite at loggerheads, and it went on for some time before it was found that the lawyer was talking about the credit side of the balance sheet and the accountant was talking about the debit side. (Laughter.)

Now, I think accountants are very level-headed people, so what is the reason? I look farther in the book and I find the reason—it stares at me on every page in the book. You pay further fees when you are a Fellow. The quicker you become a Fellow, the more the Society gets. (Laughter.) That is the explanation. One other thing struck me as unique. You have three examinations to pass, those of you who get through them. From the first one you can get exemption, provided you have passed another examination of equal standing—that is just to ensure your general education—and lawyers have the same rule, and I think doctors have, too. You have adopted the rule, and a very wise thing too. But here your love of figures crops up in a most extraordinary manner. If a youth goes in for the Preliminary examination he pays a fee of two guineas. If he gets exemption he pays a guinea and a half. Now, that's getting money for nothing, and as far as I know there is no other profession which, while it exempts you from examinations, draws a fee of a guinea and a half. It is

quite obvious that accountants do not work for nothing. (Laughter.)

There is one other thing I should like to say. The President is here, and I say it quite genuinely. I don't know with what object the syllabus is issued. If it is issued with the idea of tempting people to become accountants—well, if I were an intending aspirant it would have exactly the opposite effect. It does a most extraordinary thing—it launches off with the Final examination first! That is enough to terrify anybody. The unfortunate student who knows nothing about accountancy looks at the first four pages and says: "If I live for ever I shall never learn all that stuff." The Intermediate and the easy one are at the end. I don't understand it at all. All other professions in their syllabuses tempt people to join them. They begin with the easy one and say: "Oh! You'll get out of that easily. The Intermediate, in two and a half years, you'll get through that. That is nothing! And about the Final—well, the less said about that the better." They say you must read certain books, and they leave it in beautiful obscurity. This book sets out a list of books you are expected to read. There are 30 books with the most appalling titles and the most appalling subjects. I should never qualify for it, I am sure.

I have the greatest respect for accountants. I have them before me and I listen awestruck to their evidence. As far as I have met them individually they are a very high standard of men, men of great ability and use. As far as the Society to which you belong is concerned, it is a Society doing very great public work indeed. Commerce of to-day is conducted, and is becoming more and more so, by large corporations dealing with immense sums of money, and it would be quite impossible for the ordinary layman to know whether things are properly conducted or not. It requires a man competent with figures, who understands them and knows how to treat them, to show other people that things are properly conducted. He sees that those concerned are conducting the business properly, and the more he knows about it, the better watchdog he is for the shareholders and the public generally. And when the time comes for the company to go under, he sees that it is decently interred. Very often in the course of the burial he comes across some matters which he sees are thoroughly ventilated in Court, again for the benefit of the public. When I was a boy the ribald members of our fraternity used to be very fond of making this statement: "From parsons, lawyers, and doctors, good Lord deliver us." I don't know where the joke comes in, but it was thought particularly funny in those days. But parsons have ceased to be harmful: no one pays much attention to them. (Laughter.) I think the accountant steps into their place, and we ought to say now: "From lawyers, doctors, and accountants, good Lord deliver us," unless, of course, you come up against the income tax people, and then you thank the Lord for the existence of accountants. (Laughter.) There is this difference between the three bodies: as far as doctors are concerned—I am dealing with the question of remuneration, which is a very important one—the doctor, he very often, having killed his patient most satisfactorily, cannot get his fees from the sympathetic relatives, and he does not get paid at all. The lawyer, having advised that litigation had better not be brought, has to act in the way he is instructed, loses the case as he expected to do, and he cannot get paid without some inferior official looking at his bill and thinking it his duty to tax as much of it as he can. That is hard upon the doctor, and it is hard upon the lawyer. But you accountants are in a much better position. First of all you grab the assets for yourself: you have control of the assets and you can pay yourself out of them—and you do. (Laughter.) And I know of no authority which can make you submit these to audit or anything else. I think on the whole it is a very much nicer thing to be an accountant than a lawyer or a doctor, bearing in mind that you may get little presentations of this sort, which, of course, doctors never think of and which lawyers never have the chance of. (Laughter.)

I should like to ask you to drink the health of the Parent Society, saying, as I do, that it has my greatest respect. I think it does admirable public work, and the community would be great sufferers unless accountants were trained in the somewhat stringent way you have to be trained with the parent body to look after your interests. (Applause.)

The PRESIDENT OF THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS (MR. HENRY MORGAN, F.S.A.A.) responded. He said: I am delighted to have the opportunity of being present in the historic City of Norwich and to respond to the toast of "The Parent Society." I must congratulate the East Anglian District Society of Incorporated Accountants on the rapid progress it has made during the year which has elapsed since its inauguration. Its vigour and its part in the activities of the Parent Body reflect great credit upon the officers and members of the Committee. The attendance here to-day at this successful luncheon is indicative of the strides which Incorporated Accountants are making in East Anglia, and I trust that both in membership and activities you will continue to increase and multiply. I offer my sincerest congratulations to you, my Lord Mayor, on the high office which you have attained. (Applause.) The Chief Magistrate of the City whose Charter was granted by Richard I, finds continuity with seven centuries of English history. As Councillor, as Sheriff of the City, and now as Lord Mayor, you have rendered notable civic service. Your reference to the fact that you were admitted as a member of the Society in 1898, my Lord Mayor, impresses on me the fact that you were a member of this Society before ever I thought of entering the profession of accountancy. It is a remarkable coincidence that for two successive years Incorporated Accountants should have been raised to the dignity of Lord Mayor of Norwich, for I remember that last year that office was filled with distinction by Alderman

H. P. Gowen. That is an eloquent testimony to the high standing and ability of Incorporated Accountants in East Anglia.

As my Presidential duties require me constantly to visit important industrial centres throughout the country, I am painfully aware of the terribly depressed state of trade, especially in our great productive industries. It is no use shutting our eyes to the fact that present conditions are causing very grave anxiety, and indeed alarm, in business circles throughout the country. I am glad to be told that this part of the country does not feel the effects of the acute depression to the same extent as most of our other large industrial areas. According to the unemployment figures, the percentage of the insured population unemployed in the County of Norfolk is only just over 10 per cent. as compared with just over 16.1 per cent. in England and Wales, and in the City of Norwich I see that the percentage is 11.7 per cent., which is a somewhat pleasing contrast to many manufacturing towns in the North of England, where the percentage of unemployed ranges between 30 per cent. and 50 per cent. I am engaged in practice in the City of London, which is experiencing the direful results of the excessive and unhealthy speculation in stocks and shares during the past two or three years. You will all remember how the financial columns of our newspapers were full of the advertisements of the prospectuses of new companies formed for the purpose of establishing and carrying on all sorts of new businesses or exploiting new inventions; how the investing public, on the strength of high sounding names of the Board, of glowing prophecies of success and exaggerated estimates of profits, subscribed huge sums of money to these new ventures, and how the vendors and promoters planted on the public shares at extraordinary prices. Only in a very small number of cases have these estimates been justified by results, and a very large number—in fact, I think I may safely say the majority—of these new companies have already met with disaster. Quite apart from the serious irregularities which have frequently occurred, the liquidations disclose gross incompetence and neglect on the part of the direction and management, and exhibit an utter disregard for the rights and interests of shareholders. Day by day we see in the Press the names of numerous companies against which compulsory winding-up orders have been made after an existence of only a year or two, and in which the shareholders have already lost every penny. The state of affairs regarding the formation, the management, and the direction of these companies constitutes a most serious menace, not only to the investing public, but to the business community generally. What at first sight might seem surprising is the comparative quiescence of shareholders, but it is the fact that under the existing company law directors of a company, so long as they hold together, can treat with absolute contempt the efforts of shareholders to exercise any influence in connection with the affairs of their company or the constitution of the Board. You may ask what is the remedy for this state of affairs. I think there is quite a simple one. Provide shareholders with a fair and proper method of recording the votes to which they are entitled, and you can see that many of the gravest abuses in connection with public companies will rapidly disappear. In the case of Parliamentary and Municipal elections, exceptional facilities are provided, and it is therefore all the more surprising that shareholders of public companies have to record their votes through the medium of a general meeting, a method which is obsolete and thoroughly unjust. You have recently had what appears to have been a very exciting election in this part of the country. What would have been said if the Government in power had notified the electors that the election would take place in a hall a long distance away, which would only hold a minute percentage of the electorate, and that the electors who were unable to attend could vote for the Government candidate by sending a voting paper to the Government representative, but leaving the voters quite at a loss as to what procedure should be followed if it were desired to vote against such a candidate?

The analogy which I draw is not untrue nor unjustified. It is public knowledge that recent cases have occurred where many hundreds of shareholders have been unable to obtain admittance to the meetings, although the largest halls available have been engaged for the purpose. Only a day or two ago, the chairman of one of our large and important public companies told me that the largest hall they could get would not hold more than 2 per cent. of the shareholders on the register. These are the ludicrous conditions under which shareholders have to record their votes upon matters which vitally affect their interests. The development of joint stock companies has been so enormous, and the shareholders have become so widely distributed, that the method of recording their votes through the medium of a general meeting has become as obsolete as the methods of electing members of Parliament a hundred years ago. A statement by one of our leading Judges a short time ago that shareholders are "driven like sheep" is thoroughly justified by experience. Directors of a company, *vis-a-vis* their shareholders, are in practically an impregnable position. Shareholders can only look on helplessly whilst resolutions are forced through vitally and seriously prejudicial to their own interests, and conferring extravagant benefits upon the directors, which would almost certainly be defeated if the shareholders had a proper chance of exercising their votes. I consider that further revision of the Companies Acts in several respects has become urgently necessary in the light of events during the past two or three years, but in my opinion, there is nothing which will do more to remedy the abuses in connection with public companies than the provision of a proper and equitable method to enable the shareholders to exercise their voting power. (Applause.)

Some of our members may expect me to-day to make some reference to the burning question of registration. All I can say is this: that the Parliamentary Committee has concluded the taking of its

evidence and we are awaiting the report of that Committee. As you are all aware, the leading body of accountants in this country has set forth its opinion that the profession does not need registration. But very much evidence has been tendered before this Committee, and the extraordinary nature of the evidence which they have given shows clearly the chaotic state of affairs within the profession. I can do no more than express the hope that the report of that Committee may lead ultimately to legislation for the regulation of the profession which, in the opinion of your Council, is so urgently needed, not merely in the interests of the profession, but of the commercial community throughout the country. (Applause.)

Your Honour, I thank you for the generous and felicitous terms in which you proposed this toast. I am not surprised when you tell me that nearly always when you attend functions of this character you are called upon to propose a toast. (Applause.) You referred to our syllabus, and to the fact that in the syllabus this terrible Final examination is referred to before the easier Intermediate and very simple preliminary examination. That statement follows your expression of regret that you did not go in for the accountancy profession instead of the legal profession. It reminds me of something I heard the other day. A brother accountant was talking to a very important client, and the client said, "You know, I am in a terrible fix. I have got a boy just leaving school and I don't know what to do with him, really." "Well," said the accountant, "why not put him into the law?" "Oh! no, no," said the client. "You know the law is a profession which is terribly overcrowded. There is very little scope for a fellow." "Well," said the accountant, "what about making him an accountant?" "Oh! good gracious, my dear fellow," said the client, "he has not got the brains." (Laughter.) I thank you all for the cordial way you have received this toast.

Mr. S. T. TUNBRIDGE, F.S.A.A., proposed "The Visitors." He said: I do not know why I have been asked to propose this toast. I can only assume that Mr. Bennett, who was to have proposed the toast, was late on parade. As a defaulter, he has been punished, but I am afraid the punishment comes on me instead of him. This is not a job I am very fond of—making speeches—but I'll do my best. We have many guests here to-day and we are very delighted to see them. The Lord Mayor, our principal guest, has been adequately dealt with. We have our President, Mr. Morgan. It is rather interesting to tell you that it is 29 years since I saw him. It is a long time, but it reminded me of the fact that I was first in the Intermediate examination and he was third. I am afraid that is the only occasion I have had the pleasure of being in front of him, or am likely to. You have also here Mr. Edwards, who is to respond to this toast. I have had the pleasure of meeting him once before—at a golf meeting, and I can only hope that he thinks I am a better accountant than a golfer. We have also here the Judge of the County Court. We always expect a witty speech from him, and we have not been disappointed this time. He was very kind in giving us a lecture during the winter session. You will remember he commenced his lecture by telling us, "Well, you are accountants and you are not supposed to know anything about law." And he finished his lecture by saying, "You accountants often come in front of me, and I shall expect you to know something about the law." (Laughter.) The last occasion I had the pleasure of appearing before him I had the decision. I hope my law was all right. I am sorry Mr. Rudd, the Town Clerk of Norwich, has gone. He has ably succeeded Mr. Miller, whom I knew quite well. I have not the pleasure of knowing Mr. Cooke, but he treats you very well, I hope. Mr. Blunden I have not met in the flesh before—I have been a case to him up to the present. I know Mr. C. B. L. Prior very well, but I know his brother better. I soldiered many years with him. They are both very good fellows. There are some others I may have missed, but we are all very pleased to see them here. (Hear, hear.)

Mr. G. B. BLUNDEN, H.M. Inspector of Taxes, responded. He said: I think I ought to apologise for getting on my feet at this time. I know you are all very busy, and I do not propose to detain you very long. I feel like the Judge in wondering why I was put down to respond to the toast. I gladly accepted the invitation to lunch, and a considerable time after I received another letter asking me to reply to the toast, and I was told that Mr. Rudd would reply, too. He is another defaulter. I am classed as one of the visitors. I think that is appropriate. I am a visitor as far as the Society is concerned, but very much of a visitor, a stranger almost, to this fine old city. No doubt some of you have sometimes wondered why it is that Inspectors of Taxes are moved about so frequently—all too frequently.

Mr. H. P. GOWEN: To save you from being murdered. (Laughter.)

Mr. BLUNDEN: It certainly never struck me in that light. I have no qualms, up to the moment at any rate. I think it is a survival from a long time ago. After all, Income Tax has been in force a very long time. When you talk about the Institute celebrating its 50th anniversary and the Society having completed 45 years, they are comparatively short periods as compared with the life of the Income Tax. Years ago, I think, the Inspector, or Surveyor as he was then known, had rather a peculiar position. The administration of the tax devolved very largely upon him, notwithstanding that it was supposed to be administered by a local body of Commissioners. They did not help very much in those days in determining the liability of taxpayers. The rate of tax was very low, and I don't think anybody took it very seriously. It was not very material if the assessment was very excessive. It was left very largely to the individual Inspector or Surveyor of Taxes to use his powers of observation

and get what assessments he could. And the duty of the Commissioners was rather an extraordinary one in many districts. Whatever the Inspector suggested they accepted as the very last word. He had no difficulty in persuading the Commissioners, even on appeal, that what he suggested was right. They even went so far as to think it proper when the Inspector had said all he could say in support of his case, and they had heard the other side, to allow him to remain in the room while they deliberated. (Laughter.) The position is entirely altered now. Where we had a good deal of latitude in those days we can hardly move now; we are bound hand and foot. With the accountancy profession with us nowadays, it is the exception rather than the rule not to get very complete evidence of traders' profits long before we ask him to make the return. It would be impossible to get through the work at all if it were not for the very great assistance we have from accountants. To show the extent to which the position has altered in recent years—although the taxpayer is required by law to make a true and correct return of his profits—he sends his form to the accountants and takes no further interest in it. He is under a very heavy penalty if he does not make his return in a comparatively short space of time. We remind him of the fact that we have not received his return, and I am approached by different firms of accountants to say the forms have been sent to them, and it is impossible for them to complete the return in the time allowed. We can't move at all until they take it into their heads to deal with the forms. In every way the position is different from that of days gone by. I should like to express to accountants in general, and my friend the Lord Mayor in particular, thanks for the very cordial way I was received when I came to the city as a perfect stranger, and the courteous way you all assisted me to try and perform the duties of my office. I think I shall be able to look back on my stay in Norwich as, without any doubt whatever, the most pleasant experience I have had in the whole of my service. I beg to thank you very sincerely for the kind way you have received the toast. (Applause.)

Mr. E. E. EDWARDS (Assistant Parliamentary Secretary to the Society in London) also replied. He said: It is very kind of you to couple my name with the toast of "The Visitors," and to give me the opportunity of expressing the thanks of the guests for your hospitality here to-day. During a brief and entirely chequered career at the Bar, at which my last experience was in a fruitless endeavour to convince a Manchester jury that a criminal, who had spent twelve of his last thirteen years in the custody of His Majesty's Prisons, did not come within the classification of an habitual criminal, I never imagined that my next brief would be from the Town Clerk of Norwich. He unfortunately disappeared some minutes ago, and left me with a blank sheet on which to fill in my own brief. Mr. Tunbridge has made kindly reference to a very happy recollection when I had the pleasure of meeting him at a meeting of the Incorporated Accountants' Golf Society. My meeting with him was a very brief one, because after having said "How do you do?" I found myself an early starter from the first tee, playing a ball through the rough some four and a half miles from him. Thorpeness, which is a very delightful part of East Anglia, where the meeting was held, is a delightful course for golfers. It must have been a delightful course for Mr. Tunbridge, but it was not a course on which I shone. This morning I had the pleasure of seeing something of the beauties of Norwich and its surroundings. I had the pleasure of going through your wonderful cathedral and appreciating some of its architectural beauties, and of ascending some hundred odd steps to gain the vista from the tower of the cathedral. I also had the pleasure of seeing something of your Broads. I take back with me to London the very happiest recollections, not merely of the delights of Norwich and its neighbourhood, but above all of your cordial hospitality and of the vigour and the progressiveness of your Branch of Incorporated Accountants, and I trust that you will flourish and will maintain the name and the prestige to which you have attained. May I thank you very much, on my own behalf and that of my fellow-guests, for your hospitality. (Applause.)

The CHAIRMAN: You would be very annoyed with me if I allowed the meeting to break up without expressing your thanks and mine to the Secretary of the Branch. Mr. Hayden has carried out the arrangements for the lunch in an admirable manner, and the duties of Secretary of the Branch also in an admirable manner. We are indeed very much indebted to him for his services.

Mr. DONALD HAYDEN replied. He said: It has been a very great pleasure for me to arrange this function. The Lord Mayor has taken a very great interest in the District Society, and I only wish the senior members would take a similar interest. It is very difficult to work and carry on without the support of the senior members. I would like those to whom it applies to bear that in mind. I tried to arrange a conference in Yarmouth for the practising members, particularly for the benefit of the younger members. I feel that by concerted action we might effect advantages which we should be unable otherwise to obtain individually. I shall carry on this endeavour to arrange a conference at Yarmouth before the winter session starts. I hope all members, students, and senior members will attend. I shall be pleased to carry on if you will support me. (Applause.)

COMPANY REGISTRATIONS AT SOMERSET HOUSE.

The following is a summary of the registrations from January 1st to June 30th, 1930, as compiled by Messrs. JORDAN & SONS, LIMITED, Company Registration Agents, Chancery Lane, London, W.C. :—

Classes.	Public Companies.*		Private Companies.		Totals.	
	Number Registered.	Capital.	Number Registered.	Capital.	Number Registered.	Capital.
		£		£		£
Advertising	—	—	59	195,800	59	195,800
Banks	1	120,000	29	6,377,800	30	6,497,800
Boots and Shoes	—	—	33	162,900	33	162,900
Bricks, Cement, &c.	2	185,000	69	502,085	71	687,085
Builders	—	—	234	1,109,400	234	1,109,400
Carriers	2	150,000	150	468,950	152	618,950
Chemists	5	3,729,000	176	2,309,310	181	6,038,310
Clothing	3	122,000	362	1,621,253	365	1,743,253
Clubs	34	25,100	35	29,000	69	54,100
Drink	3	717,000	39	325,547	42	1,042,547
Electricity, Gas, and Water	8	461,000	136	891,575	144	1,352,575
Engineers	6	293,100	219	1,793,225	225	2,086,325
Farmers and Planters	3	602,000	34	372,200	37	974,200
Food	4	217,500	321	3,561,310	325	3,778,810
Furniture	1	200	124	579,725	125	579,925
Glass and China	2	176,000	30	97,450	32	273,450
Hotels	2	120,000	54	306,900	56	426,900
Insurance	2	—	24	22,100	26	22,100
Iron, Brass, &c.	2	50,100	138	1,009,800	140	1,059,900
Jewellery	1	200,000	37	273,700	38	473,700
Kinemas	4	136,000	87	577,800	91	713,800
Land and Houses	4	70,000	196	2,068,360	200	2,138,360
Laundries	2	11,000	38	144,650	40	155,650
Leather	—	—	49	225,750	49	225,750
Merchants	—	—	70	2,139,602	70	2,139,602
Mines	14	10,076,400	87	1,150,650	101	11,227,050
Miscellaneous	2	10,100	104	184,380	106	194,480
Moneylenders	—	—	40	136,750	40	136,750
Motors	8	879,600	290	961,625	298	1,841,225
Music	3	1,000	56	270,300	59	271,300
Newspapers	1	100,000	34	575,500	35	675,500
Nurserymen	1	—	23	61,400	24	61,400
Nursing	9	—	14	32,650	23	32,650
Oil	3	560,000	30	609,650	33	1,169,650
Patents	1	67,500	68	145,735	69	213,235
Photography	2	245,000	23	52,800	25	297,800
Publishers	—	—	67	182,030	67	182,030
Railways	1	30,000	3	11,500	4	41,500
Rubber	2	250,000	18	137,500	20	387,500
Schools	3	—	10	53,300	13	53,300
Shipping	3	880,000	64	617,580	67	1,497,580
Sports	22	291,250	94	237,590	116	528,840
Stationers	3	156,000	90	446,821	93	602,821
Stocks and Finance	7	1,068,000	58	1,974,000	65	3,042,000
Textiles	5	387,100	203	1,940,990	208	2,328,090
Theatres	2	2,500	47	400,810	49	403,310
Timber	1	120,000	59	389,520	60	509,520
Tobacco	1	5,000	29	30,900	30	35,900
Totals (first half of 1930)	185	22,514,450	4,254	37,770,173	4,439	60,284,623
Corresponding figures in 1929	388	105,410,156	4,287	46,927,127	4,675	152,337,283

* In this Column are included "Companies Limited by Guarantee" and "Associations Not for Profit" without Share Capital, such Companies being technically Public, however small the Membership may be.

BASIS OF ACCOUNTANTS' CHARGES.

An Interesting Case.

Mr. Justice McCardie in the King's Bench Division heard an action in which Mr. Francis Wolfe Slattery and Mr. Henry Edwin White, members of a firm of accountants, of Clarges Street, Piccadilly, London, claimed against Mr. S. A. Medwin, a shipowner, of Sackville Street, London, for £150, as the fee for professional services rendered.

By his defence, Mr. Medwin denied that there was employment by him of Mr. Slattery on certain terms as alleged by the plaintiffs.

Mr. C. Gallop, for the plaintiffs, said that in March, 1929, Mr. Medwin and Mr. Slattery met at the house of a mutual friend and there was some conversation as to the assessment of death duties in connection with the death of Mr. Medwin's mother, who had passed away some time previously.

Certain sums, it appeared, had been paid the Revenue Authorities and they were demanding from Mr. Medwin a further £600.

Some days later, Mr. Slattery and Mr. Medwin met at the Junior Athenæum Club, and Mr. Medwin produced a copy of his father's will. He asked Mr. Slattery's advice as to whether the sum which the Revenue Authorities were claiming was really payable, and whether the demand could be resisted. Mr. Slattery agreed to look into the matter, and the copy of the will was entrusted to him. It was agreed that if his intervention did not prove of benefit in a financial sense to Mr. Medwin he was to receive no payment. On the other hand, if whatever Mr. Slattery did should result in material benefit to Mr. Medwin, Mr. Slattery was to be allowed to charge a good stiff fee. That was to say, that payment was to be made upon results.

When Mr. Slattery examined the terms of Mr. Medwin's father's will he discovered what others had apparently failed to note—that the whole of the property passed directly to Mr. Medwin from his father, and his mother had not, as was supposed, a life interest in it. Consequently the death duties having been paid after the death of the father in 1912 nothing further was payable in respect of that estate on the mother's death. Eventually the Revenue Authorities withdrew their demand for £600, and refunded to Mr. Medwin a sum of £257 which had already been paid.

In view of this result, Mr. Slattery presented his bill for £150 which, in the circumstances, he considered was a justifiable fee. This account had not been paid by Mr. Medwin.

Mr. Engelbach, who appeared for the defendant, said that in his submission the two points for the consideration of the Court were: (*a*) Was there any employment of the plaintiff? and (*b*) If so, what was the proper fee?

Mr. Slattery, giving evidence, said that he was a Fellow of the Chartered Accountants' Institute. In the course of their conversation at the club, Mr. Medwin asked him what his charges were to be.

"My reply," said the witness, "was to this effect: 'If my advice is of no benefit to you there will be no charge. But if my advice is of benefit I expect to get a stiff fee justified by the result.' Mr. Medwin said: 'I do not mind what your fees are so long as I do not have to pay that £600.'"

Mr. Engelbach, cross-examining, suggested that dealing with a will as Mr. Slattery had done was solicitors' work.

"Not necessarily," said the witness. "It also comes within the province of the work of a Chartered Accountant."

Mr. Engelbach: Your Council considers it unprofessional to charge for legal work of that kind.

Mr. Justice McCardie: Is that so?

Mr. Engelbach: I have a witness holding a high position on the Council who will say that it is unprofessional to charge for solicitors' work.

His Lordship (to the witness): Do you admit that it is unprofessional conduct for an accountant to charge for considering and advising upon a will in order to help in resisting payment of death or other duties?

Mr. Slattery: No, my Lord. The case was not presented to me in that way. I was asked to assist in resisting the claim of the Revenue Authorities, and that is quite within the province of an accountant. I would not accept the position that I was giving legal advice.

His Lordship: An accountant is often asked to assist in connection with the payment of death duties.

Mr. Englebach: Yes. But it is the strong opinion of the Council of the Institute that work on speculative terms—that is, the acceptance of payment by results—should be discouraged.

Mr. Slattery: I have no knowledge of that.

Mr. Justice McCardie: Is there any rule against it?

Mr. Englebach: I do not know. We are having the rules searched. The basis usually is the work done and time spent or a sum agreed.

The Judge: In the accountants' profession there are distinguished men of responsibility, force, and weight. If, as you say, the scale of payment is by time and work done at so many guineas a day, you would never get the services of those men who are leaders in the profession, and who look for thousands of guineas not hundreds. One can quite see that a young and aspiring accountant would work at three or four guineas a day, but how can there be a scale? There is no scale of fees at the Bar.

Mr. Englebach: There must be some sort of basis.

The Judge: There may be the basis of the value of the man and his position, but there can be no scale. Architects work on scale, but that is because they work upon an agreed plan which is prepared with meticulous care and has to be carried out with meticulous care.

Mr. Engelbach (to the witness): You regard £150 as a reasonable and fair fee for the work you have done?

Mr. Slattery: Yes.

But what have you done except have two lunches at the club and read a will which your office boy could have understood?—I do not like the latter part of the question. The sole issue was how we could resist the claim of the Revenue for £600. There was no question of only reading the will, although that was a part of what I did.

His Lordship: It was not a fair question.

Mr. Englebach (to the witness): You are trained in the law?

Mr. Slattery: In elementary law.

You had no difficulty in understanding what the will meant?—I had to consider it closely over a week-end and I discovered what others had not seen.

The defendant, Mr. Sidney A. Medwin, in the witness-box, stated that Mr. Slattery took over the matter of the reading of the will in a perfectly kindly way and said he would act as a friend and accept no fee.

"Your solicitor is looking after the matter," he said, "and I will not interfere."

Mr. Justice McCardie: He refused to take the matter on at all as a professional matter?—Yes, absolutely; he treated the transaction as a friendly one all through.

Mr. Gallop: You made the proposal that he should be remunerated?

Mr. Medwin: Yes, and he refused to do anything except as a friend.

Mr. Francis Wm. Pixley, senior partner in the firm of Jackson, Pixley & Co., Chartered Accountants, of Coleman Street, London, E.C., was called to give further evidence for the defence. He stated that he was a Past President of the Institute of Chartered Accountants, and also a barrister-at-law. He had been a member of the Council of the Institute for 40 years. During the hearing of that action he had sat in Court and had heard the evidence which had been given. Previously he had read the correspondence in the case and other relevant documents.

Mr. Englebach: Assuming that there was an agreement to employ Mr. Slattery, what in your view is a reasonable remuneration for a Chartered Accountant of his standing for the work which you have heard he has done?

Mr. Pixley: From what I have heard I should think he would be well remunerated with a fee of twenty guineas.

What would your firm charge for work of this kind?—There is nothing that I have heard that was done in this case by the plaintiff that we should have taken up at all.

Would you regard anything that the plaintiff has done as Chartered Accountants' work?—No, not at all. The Council of the Institute has set itself against any legal work being undertaken by a Chartered Accountant for payment. Of course, you can advise a friend or give an opinion. If this had been brought to me I should have said that I would be very pleased to look at the will, but of course I could only do it as a friend.

What do you say as to the position with regard to payment by results?—That is a matter which has come up on several occasions at meetings of the Council. I have always heard the members say that it is unprofessional to accept any matter of business to be paid for by results. We do not think it is a proper thing to do.

The Judge: Is it not permissible to allow payments to vary in accordance with results?

Mr. Pixley: You might expect a round figure being proposed for certain work, but that is nearly always arranged beforehand. Most of our work is done and charged by time according to scale.

The Judge: That is ordinary accountants' work, but this case does not relate to that. This was exceptional work which gave rise to difficulty and unusual skill.

Mr. Pixley: I have not heard of any unusual work in this case.

The Judge: It is the exception in your profession which gives rise to the exception as to fees?

Mr. Pixley: Certainly; we expect higher fees for high-class work, such as acting as an arbitrator, or amalgamating companies, or perhaps reconstruction work where greater skill and knowledge is expected. But usually work is based on scale and time of the men engaged. My firm does a great deal of income tax work, and we often recover large sums or assist in defeating large claims. In those cases we never charge more than for ordinary scale work. I have one partner who devotes a great deal of his time to that sort of work. He sometimes says to me: "Look here; I have just got off five hundred or six hundred pounds, and all I am able to charge is twenty guineas."

His Lordship: These are what you would call the incidental griefs of an accountant's life. (Laughter.)

Mr. Englebach: In such cases as you mention you would have to go or send a responsible clerk to Somerset House or the Income Tax Commissioners, or write a number of letters?

Mr. Pixley: Yes; that is ordinary work.

The Judge: Supposing you were promised a stiff fee for recovering, say, £600 or £800, what would you say that stiff fee should be?

Mr. Pixley: The answer depends upon the work done and the time spent.

The Judge: That does not answer the question. What would a stiff fee be for the work done?

Mr. Pixley: Perhaps 100 guineas.

The witness added that there was no fixed scale laid down by the Institute, but there was a well-known scale to which 90 per cent. of the members worked. Of course it might vary according to the principals and managing clerks engaged.

The Judge: The basis is time?

Mr. Pixley: Yes; that is a workable basis for all our fees.

His Lordship: You have no code of etiquette.

Mr. Pixley: We have the charter.

But you have no code of professional etiquette—no rules regulating professional conduct?—No, my Lord.

Mr. Englebach said that in the Royal Charter paragraph 20 dealt to some extent with the matter.

The Judge: Cannot a man say, "I will pay you 1,000 guineas if you save me 5,000"? What would be wrong in that from the professional point of view?

Mr. Pixley: If either of the learned counsel conducting this case had taken up their briefs on such a basis, I imagine that the Bar Council would have something to say about it.

The Judge: They would. (Laughter.)

Mr. Pixley: We in our profession try, so far as we can, to model ourselves in our conduct and work upon the Bar.

Your profession rests upon the same common principles as those of the Bar?—Yes.

But as a matter of mere business there is nothing wrong in the suggestion of payment by results and there is no objection to it?—No.

Mr. Justice McCardie remarked that in the United States it was the common practice for people concerned in the law to work upon a basis of payment by results.

Mr. Arthur Francis Sharp, a Fellow of the Society of Incorporated Accountants, and a member of the firm of Hilton, Sharp & Clarke, Incorporated Accountants, of Gray's Inn Square, stated that in his opinion the work done by Mr. Slattery was worth a fee of twenty guineas. He personally would have been glad to get such a fee for it, he said.

He regarded what he understood Mr. Slattery to have done as purely solicitors' work for which he should not charge.

Mr. Sharp said that if he had given advice on a solicitor's matter he would not have charged a fee, but would have hoped that he would later get some accountancy work by way of reward. (Laughter.)

Asked what he would call a stiff fee for what Mr. Slattery was said to have done, Mr. Sharp said he thought such a fee would be twice the ordinary fee—that was to say, 40 guineas.

His Lordship observed that the standard of honour set by the Chartered Accountants of this country was an example to the whole world.

Mr. Justice McCardie, giving judgment, said he had no doubt that Mr. Slattery was engaged upon a basis of payment.

Having heard the evidence and having read the correspondence which had passed between the parties, he was satisfied that Mr. Slattery's version of what took place

was the correct one. The correspondence strongly corroborated Mr. Slattery's story of what arrangement was made between him and Mr. Medwin.

"The plaintiff," said his Lordship, "is a member of a great and responsible body governed by rigorous rules framed with the object of maintaining the highest standard of honour and conduct.

"It is said that when he undertook to advise upon this will and upon the liability for death duties he went outside the range of a Chartered Accountant's duty and acted in substance as a solicitor. Now the distinction between the duties of a solicitor and of a Chartered Accountant are sometimes difficult to draw, and Chartered Accountants must forgive me if I say that during the last few years there has been a steady extension in the range of work undertaken by them.

"It is difficult to draw the line sometimes between the work of a solicitor and the work of an accountant, as I have said, and I do not propose to decide the question whether or not the plaintiff was doing the work of a solicitor as distinct from the work of an accountant. I will say at once why I abstain from decision on that matter. I am here to decide the rights of the two parties. I have before me the terms of the Royal Charter of the Institute of Chartered Accountants, and under head 20, rule 5, there is power in the Council to exclude from membership or to suspend any person who does certain things. One of the things is that he, being in practice as a public accountant, enters into or begins to follow any other business or occupation not in the opinion of the Council incident to or consistent with the work of a public accountant."

There was no doubt, continued the Judge, that the Council had somewhat wide powers of action. Hence he did not decide whether or not the plaintiff was guilty of any breach of the rules of the Charter. That was a matter which might call for further discussion.

The main question for the Court was whether the plaintiff was employed by the defendant upon the terms of a monetary payment.

"It is irrelevant to decide to what extent it is against ethical considerations for a Chartered Accountant to work upon what is called payment by results, and I do not propose to deal with that matter.

"As the Council shapes the conduct of its members on the practice and traditions of the English Bar, it seems to me that it is for them to consider the question of whether or not a system of payment by results is permissible. I do point this out, however: that although accountants are paid in accordance with work done and time expended by principals or clerks there is no scale of fees which binds them. Many leading members of the profession charge very large fees for their very important and responsible duties. I offer no observation at all upon the evidence of Mr. Pixley and Mr. Sharp, except to say that I fully realise and appreciate their desire to maintain the honour and the traditions of their great calling."

His Lordship concluded by saying that there was no doubt that the work done by Mr. Slattery had most satisfactory results. In his view, however, the sum of £150 was a very stiff fee to ask.

Having regard to the whole of the circumstances of the case, he was satisfied that he would be doing justice between the parties and carrying out the contract that he had no doubt whatever was made between them by awarding the plaintiffs £75.

There would be judgment for the plaintiffs for that amount, with costs.

ACCOUNTANTS' LIABILITY TO THIRD PARTIES.

OPINION.

NEW YORK SUPREME COURT, APPELLATE DIVISION,

FIRST DEPARTMENT, MAY 13TH, 1930.

VICTOR J. DOWLING, P.J.
EDWARD R. FINCH, FRANCIS MARTIN,
JOHN V. McAVOY, JAMES O'MALLEY, J.J.

ULTRAMARES CORPORATION, *Appellant,*
against
GEORGE A. TOUCHE, JOHN B. NIVEN, ANDREW W. TAIT, CHARLES R. WHITWORTH, HENRY E. MENDES, FRANCIS J. CLOWES, VICTOR H. STEMPF, E. H. WAGNER and C. A. H. NARLIAN, co-partners, &c., *Respondents.* } No. 5435.

Appeal by plaintiff from an Order of the Supreme Court, New York County, made at Trial Term, granting defendants' motion to set aside a verdict in plaintiff's favour on the first cause of action herein and dismissing the complaint and from a judgment entered thereon.

McAVOY (J.):

The defendants, public accountants, have been held liable to the plaintiff, to whom they owed no contractual duty through any contract of employment which the plaintiff entrusted to them. Whether a duty arises here, in the absence of direct contractual relation, out of the situation shown by the evidence, is the problem for solution.

The general principle involved, and upon which plaintiff relies for imposition of liability, is that if one undertakes to discharge any duty by which the conduct of others may be governed, he is bound to perform it in such a manner that those who are thus led to action in the faith that such duty will be properly performed, shall not suffer loss through improper performance of the duty or neglect in its execution. Thus, we have the buyers of merchandise given recovery against public weighers who were to make return of the weight and to furnish buyers with a copy. The public weighers certified the weight and the buyers paid the sellers on that basis. Discovery that the weight had been incorrectly certified as a result of defendants' negligence was found to give the plaintiff the right to the resulting damage.

It was decided there that the use of the certificates was not an indirect or collateral consequence of the action of the weighers; that it was a consequence "which, to the weighers' knowledge, was the end and aim of the transaction." The sellers ordered, but the buyers were to use the certificates. Public weighers hold themselves out to the public as "skilled and careful in their calling." (*Glanzer* v. *Sheppard*, 233 N.Y., 236, 238.)

The duty was held not to be bound in terms of contract, nor of privity; although arising from contract, its origin is not exclusive from that realm. If the contract and the relation are found, the duty follows by rule of law. Diligence—it was pointed out—was owing not only to the person who ordered the employment, but also to those who relied thereon.

Plaintiff here is in the business of factoring. The defendants were engaged by Fred Stern & Co., Inc., to audit its books and accounts and certify a balance sheet as of the end of the year 1923. They prepared a balance sheet and attached it to a certificate signed by them, which they dated February 26th, 1924. This balance sheet stated that Fred Stern & Co., Inc., had a net worth amounting to $1,070,715.26, when the fact (as thereafter found) was that at the very time of this certification the firm was insolvent, with impairment of thousands of dollars in its assets and credit and much enhancement of its reported liabilities.

The finding of the jury would justify a conclusion that defendants were guilty of a gross degree of negligence in their audit, and it is even urged that the evidence also warranted the finding that the balance sheet was made up in fraud of the rights and obligations which accountants, engaged in public calling, would owe to those to whom they had reason to believe such balance sheets would be exhibited for purposes of obtaining loans, extending credit, or to induce the sale of merchandise.

The evidence showed that these accountants knew for four years that their client (Fred Stern & Co., Inc.), was a borrower from banks in large sums; that these banks required certified balance sheets as a basis for making loans; and that Fred Stern and Co., Inc., would require these certified balance sheets for continuing existing loans and securing new loans. So that this might be done, some thirty-two original counterparts of the certified balance sheet were requested by the client, Fred Stern & Co., Inc., and furnished by the accountants (defendants).

The jury's verdict thus imports that defendants knew that the certified balance sheets would be used by Fred Stern & Co., Inc., for the purpose of procuring loans, and that the very purpose of employment in the transaction between Fred Stern & Co., Inc., and Touche, Niven & Co., the accountants, was to allow Fred Stern & Co., Inc., to bring it about through these balance sheets. This results: that loans on the faith thereof would be made by persons who would be governed by its declarations. Financial statements in the course of trade have come to be used customarily for the purpose of securing credit, and accountants indicate in their public advertisements that makers of loans should require the safeguard of an independent audit prepared by public accountants, so a corelative obligation is placed upon them. It is their duty—if they do not wish their audit to be so used—to qualify the statement of their balance sheet and the certificate which accompanies it in such a way as to prevent its use. One cannot issue an unqualified statement which will be so used, and then disclaim responsibility for his work.

Banks and merchants, to the knowledge of these defendants, require certified balance sheets from independent accountants, and upon these audits they make their loans. Thus, the duty arises to these banks and merchants of an exercise of reasonable care in the making and uttering of certified balance sheets.

The facts here are brought within the rule in the case of *International Products Co.* v. *Erie Railroad Co.* (244 N.Y., 331) that "there must be knowledge, or its equivalent, that the information is desired for a serious purpose; that he to whom it is given intends to rely and act upon it; that if false or erroneous he will, because of it, be injured in person or property. * * * The relationship of the parties, arising out of contract or otherwise, must be such that in morals and good conscience the one has the right to rely upon the other for information, and the other giving the information owes a duty to give it with care."

The certificate which these accountants attached to the balance sheet reads:

"TOUCHE, NIVEN & Co.,
Public Accountants,
Eighty Maiden Lane,
New York.

February 26, 1924.

CERTIFICATE OF AUDITORS.

We have examined the accounts of Fred Stern & Co., Inc., for the year ended December 31st, 1923, and hereby certify that the annexed balance sheet is in accordance therewith and with the information and explanations given us. We further certify that, subject to provisions for federal taxes on income, the said statement, in our opinion, presents a true and correct view of the financial condition of Fred Stern & Co., Inc., as at December 31st, 1923.

TOUCHE, NIVEN & Co.,
Public Accountants."

From this certificate and the findings made by the jury which are entitled to be held conclusive in behalf of the plaintiff there is established: That the defendants knew that the result of the audit would be used by Fred Stern & Co., Inc., to represent its financial condition to persons from whom Fred Stern & Co., Inc., might seek to borrow money, and that the balance sheet would be relied upon by such persons as indicating the true financial condition of Fred Stern & Co., Inc.; that defendants, in exercising their public calling as auditors, did not exercise that care and skill required of them, but acted in a negligent and careless manner, as a consequence of which the balance sheet made by them was incorrect, and that such negligence was the proximate cause of the loss sustained by plaintiff, *i.e.*, that there was a casual relation between the neglect and the loss sustained which could reasonably have been anticipated, and that the presentation of the balance sheets, as certified by defendants, was the inducing cause for making these loans to Fred Stern & Co.,

Inc., which plaintiff made, and that the loss was not caused by reason of any change in the financial condition of Fred Stern & Co., Inc., from the time of the presentation of the audit to the plaintiff, or because of any reliance of plaintiff on other intervening causes; and that plaintiff's conduct was free from contributory negligence, and we therefore conclude that a liability was properly found, arising out of a duty owed by the defendants to plaintiff not to misrepresent, wilfully or negligently, the financial condition of Fred Stern & Co., Inc., and that the judgment for the plaintiff was correct and should not have been set aside.

That the particular person who was to be influenced by defendants' act was unknown to the defendants is not material to a right to recovery, for it is not "necessary that there should be an intent to defraud any particular person." In this case there was no mere casual representation made as a matter of courtesy; there was a certificate intended to sway conduct. There was "the careless performance of a service which found in the words of a certificate its culmination and its summary."

Here is an act performed carelessly, intended to influence the actions of third parties, and one that reasonably might be expected, when carelessly performed, to cause substantial loss.

A duty exists towards those whom the accountants know will act on the faith of their certificates. The loss occurring here was the very result which reasonably was to be anticipated if the balance sheet was carelessly prepared.

While negligence was established and was the proximate cause of the loss, and, as we have seen, the duty arose out of this situation which, while not contractual, was, nevertheless, a ground of liability, yet we do not think that there was sufficient proof upon which to found a liability in fraud. We think that there was no error at the close of the entire case, in the Court's decision to dismiss the second cause of action based upon that ground. Misjudgment, however gross, or want of caution, however marked, is not fraud. The mere breach of duty, or the omission to use due care, is not fraud. Intentional fraud, as distinguished from a mere breach of duty or the omission to use due care, is an essential factor in an action for deceit. (*Kountze* v. *Kennedy*, 147 N.Y., 124.)

We think that there was a proper conclusion with respect to damages. The amount of cash loans made to Fred Stern & Co., Inc., with interest thereon, credited with all moneys repaid or collected by plaintiff, whether through voluntary action or suit, without deduction of costs or collection, was the approximate damage, and while other proof of damage was excluded by the Trial Court, no appeal has been taken by plaintiff which raises a construction of that rule.

The judgment and order appealed from should therefore be modified by reversing so much thereof as sets aside the verdict and dismisses the amended complaint as to the first cause of action, and by directing that the verdict be reinstated and judgment entered thereon with costs to the plaintiff, and as so modified affirmed without costs.

DOWLING (P.J.) and O'MALLEY (J.) concur.

SUPREME COURT, APPELLATE DIVISION,
FIRST DEPARTMENT, MAY 13TH, 1930.

VICTOR J. DOWLING, P.J.
EDWARD R. FINCH, FRANCIS MARTIN,
JOHN V. McAVOY, JAMES O'MALLEY, J.J.

ULTRAMARES CORPORATION, *Appellant*,
against
GEORGE A. TOUCHE, JOHN B. NIVEN, ANDREW W. TAIT, CHARLES R. WHITWORTH, HENRY E. MENDES, FRANCIS J. CLOWES, VICTOR H. STEMPF, E. H. WAGNER and C. A. H. NARLIAN, co-partners &c., *Respondents*. } No. 5435.

FINCH (J.) dissenting:

Assuming that the defendants may be held liable for the negligence of their employees where they undertake a duty to a definite plaintiff (*Glanzer* v. *Sheppard*, 233 N.Y., 236), or to a definite class (*Doyle* v. *Chatham and Phenix National Bank*, 253 N.Y., 369), yet, for the following reasons the defendants are not liable to this plaintiff: first, because they undertook to make only a "balance sheet audit" at the request of their client; second, because in their certificate the defendants purported only to furnish their opinion based upon an examination in connection with "the information and explanations given us." But even more important, the defendants furnished such a report and certificate without reference to any particular person or class of persons.

The plaintiff seeks to liken the facts in the case at bar to a case where the defendants were to make an audit which to their knowledge was for a definite plaintiff, to induce such plaintiff to make loans thereon. (*Glanzer* v. *Sheppard*, supra.) This record does not sustain such a contention. The Courts have not gone to the length of holding that defendants in a case like the case at bar can be held liable in negligence to the whole world, or, as has been aptly said, liable for "negligence in the air."

In other words, not only the purpose for which the statement is to be used, but the person or class of persons who is to rely thereon, must be definite to the knowledge of the defendants. The plaintiff relies upon the stipulation in the record that the defendants "knew generally that these reports would be used as financial statements to banks or to creditors or to stockholders or to purchasers or sellers." In accordance with the authorities, this general knowledge is not sufficient.

As Judge Andrews said in *International Products Co.* v. *Erie R. R. Co.* (244 N.Y., 231), speaking of the information given,

> "that he to whom it is given intends to rely and set upon it; that if false or erroneous he will, because of it, be injured in person or property"

In *Courteen Seed Co.* v. *Hong Kong and Shanghai Banking Corporation* (245 N.Y., 377), Judge Pound writes:

> "It (the defendant) did not deal with appellant, had no relations with it and was under no duty of care to it." (See also *Savings Bank* v. *Ward*, 100 U.S., 195).

The professional man, be he accountant or otherwise, certifies for his client and not for all the world. If the client makes it clear to such a man that the statement is to be used in a particular transaction in which a third party is involved, such circumstances should create a duty from the professional man to such third party. If the accountant is to be held to an unlimited liability to all persons who may act on the faith of the certificate, the accountant would be obliged to protect himself by a verification so rigid that its cost might well be prohibitive and a limited but useful field of service thus closed to him. The smallness of the compensation paid to the defendants for the services requested is in striking contrast to the enormity of the liability now sought to be imposed upon them. If in the case at bar the plaintiff had inquired of the accountants whether they might rely upon the certificate in making a loan, then the accountants would have had the opportunity to gauge their responsibility and risk, and determine with knowledge how thorough their verification of the account should be before assuming the responsibility of making the certificate run to the plaintiff.

It also appears in the case at bar that the loss of the plaintiff resulted because of its own contributory negligence in failing to check the collateral. (*Craig* v. *Anyon*, 212 App. Div., 55; aff'd 242 N.Y., 569.)

In so far as the claim of actual fraud is concerned, there is no proof in this record sufficient to support such a finding by a jury. The Court, therefore, properly dismissed this cause of action. (Civil Practice Act, sect. 457-a.) This is so, even assuming that personal connivance and fraud on the part of the employees of defendants could be held within the scope of the authority given to these employees by the defendants, which at least is doubtful. (*Henry* v. *Allen*, 151 N.Y., 1; *Credit Alliance Corp.* v. *Sheridan Theatre Co.*, 241 N.Y., 216; *Martin* v. *Gotham Nat'l Bank*, 248 N.Y., 313.)

It follows that the judgment and order should be affirmed.

MARTIN (J.) concurs.

The Midland Bank have recently issued a revised edition of a pamphlet giving a brief history of the Bank since its foundation in 1836 and describing the various services which it is prepared to render. Particular attention is drawn to the new Head Office building in Poultry, where a safe deposit has recently been installed for the convenience of customers, and also to the Night Safe Service—an innovation introduced by the Midland Bank in 1928 and now in operation at more than 380 branches throughout the country. The pamphlet contains interesting information with regard to the other activities of the Bank and has several illustrations and diagrams.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

ALLEN, ALBERT STUART (Allen & Baldry), Adelaide House, King William Street, London, E.C.4, Practising Accountant.

BALDRY, EDWARD (Allen & Baldry), Adelaide House, King William Street, London, E.C.4, Practising Accountant.

BUSHELL, JOSEPH JOHN (Maurice J. Bushell & Co.), 6-7, Queen Street, Cheapside, London, E.C.4, Practising Accountant.

HANSOTIA, PESTONJI CAWASJI, B.Com. (P. C. Hansotia & Co.), 41A, Bruce Street, Fort, Bombay, Practising Accountant.

FELLOW.

MACKIE, JOHN, F.C.A. (*Ireland*) (John Mackie & Co.), 1, Queen Victoria Street, London, E.C.4, Practising Accountant.

ASSOCIATES.

BANKS, EDWIN MALCOLM, Clerk to Davidson & Verity, West Bar Chambers, 38, Boar Lane, Leeds.

BROWN, BERNARD CHARLES, Borough Treasurer, Glastonbury.

CAMPBELL, MUNGO BAIRD, Clerk to Robert T. Dunlop, 45, Renfield Street, Glasgow.

COLEMAN, GEORGE, Clerk to Wm. H. Wilson, 26, East Parade, Leeds.

COLLARD, CEDRIC WILLIAM, Deputy City Treasurer, Guildhall, Rochester, Kent.

COOPER, JOHN HENRY, Treasurer and Accountant, Rickmansworth Urban District Council, Council Offices, Rickmansworth.

CURRELL, ROBERT HENRY, Clerk to H. Rainsbury & Co., 65-66, Basinghall Street, London, E.C.2.

D'ALMEIDA, FERNANDO J., A.C.A., 20, Rua S. Bento, Sao Paulo, Brazil, S. America, Practising Accountant.

DEAN, WILLIAM NEVILLE RONALD, Clerk to Galleway & Clarke, 70, Finsbury Pavement, London, E.C.2.

DRIVER, ALBERT DAVID, Clerk to Frederick R. Petty, Court Chambers, North Street, Keighley.

FIELD, HERBERT STANLEY, Clerk to Salmon, Barnaschoné & Co., 133, Aldersgate Street, London, E.C.1.

FOOKS, HAROLD CHRISTOPHER, Clerk to J. Fooks & Son, 3, Park Place, Cardiff.

FORSTER, CYRIL FRANCIS, Accountant's Department, Metropolitan Water Board, 173, Rosebery Avenue, London, E.C.1.

FORSYTH, WILLIAM, City Treasurer's Office, 17, Fisher Street, Carlisle.

GALLIMORE, GEORGE, Clerk to Appleby & Wood, Victoria House, Vernon Place, London, W.C.1.

GLOVER, GEORGE WILLIAM HENRY (Henry Lawrence & Co.), Midland Chambers, 5, Gallowtree Gate, Leicester, Practising Accountant.

GREEN, JAMES LEONARD, Clerk to Clarke, Clarkson & Howarth, 31, Castle Hill, Lancaster.

GUHA, SURA RANJAH, B.Sc., Assistant Auditor, Assam Bengal Railway Company, Limited, Railway Buildings, Chittagong, Bengal (formerly Articled Clerk to M. K. Dandeker (Fellow), Madras).

HALEY, JOHN HERBERT, Clerk to J. Herbert Haley, 29, Tyrrel Street, Bradford.

HARDY, GEORGE HENRY, Clerk to Hodgson, Harris & Co., Bank Chambers, Parliament Street, Hull.

HOGG, DAVID ALEXANDER, Borough Accountant's Department, Town Hall, Croydon.

HOLLAND, FRANK, Comptroller's Department, London County Council, The County Hall, Westminster Bridge, London, S.E.1.

HOWORTH, HARRY NELSON, Clerk to Sir Charles H. Wilson, Wilson's Chambers, 7, Greek Street, Leeds.

HUSSEY, ALBERT VICTOR, Clerk to Viney, Price & Goodyear, Empire House, St. Martin's-le-Grand, London, E.C.1.

KNIGHT, KENNETH HERBERT ALFRED, Clerk to H. Tudor Hughes, Regent Chambers, Colwyn Bay.

LLEWELYN, IDRIS WYNN, Clerk to E. G. White, Bank Chambers, Lammas Street, Carmarthen.

LOVELL, FRANCIS JOHN BUYERE, Clerk to Jeffreys, Hogg, Henry & Marks, 10, Coleman Street, London, E.C.2.

MILLS, ALBERT WILLIAM, Clerk to Donald H. Bates & Co., 10, Cheapside, Hanley, Stoke-on-Trent.

MOORE, WALTER EDWARD, Clerk to Ransom Harrison and Lewis, 22, High Street, Sheffield.

NEWTON, JOHN, Clerk to W. Claridge & Co., 53, Well Street, Bradford.

ODELL, FRANK WILLIAM, Clerk to G. W. Odell, 25-26, Lime Street, London, E.C.3.

PASSINGHAM, LESLIE ERNEST (L. E. Passingham & Co.), 5-7, Hampstead Road, London, N.W.1, Practising Accountant.

PITT, GEORGE STANHOPE, Jun., A.C.A. (Bolton, Pitt & Breden), 27, Clement's Lane, Lombard Street, London, E.C.4, Practising Accountant.

RICHARDS, ALEXANDER GEORGE, Clerk to F. W. Stephens & Co., Liverpool House, 15-17, Eldon Street, London, E.C.2.

ROOKE, WESLEY EDWIN (Rooke, Holt & Co.), Empire House, St. Martin's-le-Grand, London, E.C.1, Practising Accountant.

ROY, BIBHUTI BHUSAN, B.A., Clerk to S. R. Batliboi & Co., 9, Grant Lane, Calcutta, India.

RUSSELL, ROLAND NORMAN, Clerk to B. de V. Hardcastle Burton & Co., Coventry House, South Place, Moorgate, London, E.C.2.

SCOTT, HENRY (Forster, Scollick & Co.), Pearl Buildings, Newcastle-on-Tyne, Practising Accountant.

SHAH, RAMANLAL BHOGILAL, B.Com., Clerk to Dalal & Shah, 70, Medows Street, Fort, Bombay.

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The Finance of Public Assistance.

A PAPER submitted at the annual meeting of the Institute of Municipal Treasurers and Accountants by

MR. W. E. JONES,
County Treasurer, Wiltshire,
and
MR. ROBERT SUTCLIFFE, F.S.A.A.,
Borough Treasurer, Middlesbrough.

The title of the paper suggests a very wide field for investigation. Public assistance, as we know it to-day, is given by the State, the local authorities and many voluntary organisations. To traverse this field is beyond our scope; we must confine ourselves to that part of public assistance which is now transferred to County and County Borough Councils under the Act of 1929.

In doing so it is not our intention to make this paper a detailed one with specimen books and forms.

Possibly by 1931 or 1932, when the financial officers concerned have had time to work out the best financial arrangements, the Institute may think it worth the while of the Annual Conference to consider the different methods adopted.

There is no doubt that throughout the country the Councils concerned as well as the financial officers will, for the next few years, have to devote a great deal of their time, thought and labour to perfecting a system of financial records and financial control. Therefore, in this paper, the finance of public assistance is dealt with on broad general lines in the hope that the members of the various local authorities, as well as officers, will be interested.

EARLY HISTORY OF POOR LAW.

There has always been a section of the community, the members of which, from various causes, have been unable to maintain themselves by their own efforts. In the early days the Church stepped in and undertook the responsibility of providing for the poor, but afterwards it became an obligation placed upon the parishes. It is believed that the first statutory obligation to provide for the poor was passed in the ninth century, when the Bishop was made responsible so far as his means allowed.

With the decay of the Feudal System came a great deal of helplessness and poverty, accompanied by gross vagabondage, and from time to time attempts were made to deal with the vagabonds and to prevent their numbers increasing.

In 1388 a Statute was passed, in which the "impotent poor" were first mentioned as a separate class, but that measure made no provision for their sustenance. It merely made the distinction between the "valiant beggar" and the "beggar impotent to serve." During the next two centuries various attempts were made to put the relief of the poor on a proper footing. It was not until the year 1601 that the legal right of the destitute to be provided with relief was established, and the foundations of the present Poor Law System laid.

POOR RELIEF ACT, 1601.

This important measure, the principles of which remain after a lapse of over 300 years, directed that in every parish "four, three or two substantial householders shall, under the hand and seal of two or more justices of the peace, be yearly nominated in Easter Week, and that these,

with the churchwardens, shall be the Overseers of the Poor" to carry out the provisions of the Act. The Overseers were to raise "weekly or otherwise in every parish, by taxation, from every inhabitant, parson, vicar and other, and of every occupier of tithe, coal mine, and saleable underwood in the said parish, such necessary and sufficient sums of money as they shall think fit."

The moneys were to be expended in the following manner:—

(*a*) "For setting to work all children whose parents shall not be thought able to keep and maintain them."

(*b*) "For setting to work all such persons, married or unmarried, having no means to maintain them and who use no ordinary and daily trade of life to get their living by."

(*c*) "For providing a convenient stock of flax, hemp, wool, thread, iron and other ware and stuff to set the poor to work."

(*d*) "For the necessary relief of the lame, impotent, old, blind, and such other among them being poor and not able to work."

This measure extended the provisions of earlier Acts which made it the primary duty of relatives to maintain the poor.

The principles upon which the Act was framed may be summarised as follows:—

(*a*) *Relief* to be given by the parish for its own protection and as a remedy against the evils of destitution.

(*b*) *Repression*, by making the relief given by the parish repulsive to the moral sense, and severe in the treatment of those who would not work.

(*c*) *Remedy*, in the powers given to educate, rear and train children who were without proper protection and care.

The attitude of the parishes towards the destitute varied enormously, and in consequence the poor migrated to those parishes where they could obtain the best treatment.

To remedy this an Act was passed in 1662, which introduced the Law of Settlement and Removal.

Further reforms were attempted from time to time, and in 1723 a measure was passed authorising overseers and churchwardens to join in Unions for the provision of houses for the poor to live in. These houses were the forerunners of the present institutions known as workhouses.

By the end of the eighteenth century the system was found to be defective, and many abuses had crept in.

A vivid picture of the workhouse of that period is presented by Crabbe, Rector of Trowbridge, in his poem "The Poor," published in 1810.

"There is yon house that holds the parish poor,
Whose gloomy walls contain a dismal door,
There where the putrid vapours flagging play,
And the dull wheel hums doleful through the day;
There children dwell who knew no parent's care,
Parents who know no children's love dwell there;
Heart broken matrons on their joyless bed,
Forsaken wives and mothers never wed,
Dejected widows with unheeded tears,
And crippled age with more than childhood's fears,
The lame, the blind, and—far the happiest they—
The moping idiot and the madman gay.
Here, too, the sick their final doom receive,
Here brought amid the scenes of grief to grieve,
Where the loud groans from some sad chamber flow,
Mixed with the clamour of the crowd below;
Here sorrowing they each kindred sorrows scan,
And the cold charities of man to man.
Here the good pauper, losing all the praise
By worthy deeds acquired in better days,
Breathes a few months; then to his chamber led
Expires—while strangers prattle round his bed."

In 1832 the famous Royal Commission was appointed to inquire into the whole matter, and two years later, following the Report of that Commission, the Poor Law Amendment Act was passed.

POOR LAW AMENDMENT ACT, 1834, &c.

One of the principal objects of this Act was to restore the scope and intention of the Statute of Elizabeth. It also placed the administration in the hands of the chosen representatives of the ratepayers, and the actions of these representatives were to be controlled by orders issued by a central body.

It was under this Act that the Boards of Guardians were first formed.

The Act re-established the right of a destitute person to relief, but made that right subject to the important condition that the person relieved should not be placed, or even seem to be placed, in a better position than the lowest class of independent labourer.

The Act also laid it down—

(*a*) That only destitution should entitle an applicant to relief.

(*b*) That in regard to the able-bodied—

(i) No relief should be given in money.

(ii) If set to work, half of the relief should be given in kind.

(iii) No relief should be given by payment of rent.

(iv) Relief to them and their families should be in the workhouse.

The coming into being of the workhouse system and the operation of the Law of Settlement led to the overburdening of certain parishes. We are told that as a result of this tendency landlords and owners of property were induced to drive away the poor before they could obtain a settlement in a particular parish.

To remedy this position the Union Chargeability Act, 1865, was passed, and the principle of the equalisation of the cost of poor relief was carried a step further by enacting that the funds of any Union were to be used for the maintenance and relief of the poor of that Union irrespective of the parish to which the pauper belonged.

Up to this time all efforts had been directed towards the maintenance of the poor. There had been no proper provision for medical treatment as we know it to-day. It was not until the passing of the Metropolitan Poor Act of 1867 that express authority was obtained for providing such treatment. Even then the Act only applied to London, but within a few years after the passing of that measure similar powers were extended to the provinces.

With the granting of the powers to give medical relief, public assistance made tremendous headway. Many workhouses changed from places of work to hospitals and almshouses, although at the present time there are many mixed workhouses. To give one instance of the last type, there was, at March 31st last, in one rural area a general mixed workhouse, containing 108 inmates. Fifty-five of these were infirm and senile; seven acutely sick seven

epileptic; eight certified lunatics; eighteen certified mentally deficient; nine uncertified mentally deficient; one able-bodied man; and three healthy children.

The Poor Law Act, 1879, gave the predecessors of the present Ministry of Health power to make orders combining two or more Unions outside London for any purpose connected with the administration of the poor. The result of this was that Unions combined for various services such as the provision of institutions for the treatment of mental defectives, examples of which were to be found in the Midlands and in the North-East. Power was also given to the Guardians to establish cottage homes for children and old people, and to deal with the emigration of children and adults.

In exercise of the powers granted from time to time, Boards of Guardians built isolation hospitals, made provision for lunatics, mental defectives, for the treatment of special cases such as tuberculosis and venereal diseases, and for the maintenance of the blind.

At the same time the Municipal Corporations in the exercise of their duties were constructing lunatic asylums, isolation hospitals, sanatoria; providing for the diagnosis and treatment of venereal diseases, the treatment of tuberculosis; and providing maternity homes and schemes for the welfare of the blind. County Councils were also carrying out many of these functions in their areas.

The extent of this duplication was such that in many towns and districts the public health authority and the Guardians were each operating quite independently exactly similar services.

Some Guardians had avoided this duplication and waste of public money by entering into arrangements with public health authorities, but up to March 31st last there remained many instances where no such working arrangements existed.

LOCAL GOVERNMENT ACT, 1929.

With the abolition of 635 Boards of Guardians and the transfer of their powers and obligations to 62 County Councils and 83 County Borough Councils, a new chapter is added to the social history of this country. We therefore see the last of the *ad hoc* bodies, such as Highway Boards, Sanitary Boards, School Boards, and Boards of Guardians pass away. The County Borough Council now becomes responsible for all local government services in its own area, and in Counties the tendency is to increase the number of services for which the County Council will, in future, be responsible.

Papers were submitted to the Conference last year dealing with the main provisions of this important Act. It is only necessary, therefore, to refer to the fact that the County Councils and the County Borough Councils are now in possession of the whole of the powers of the Boards of Guardians for the carrying out of the Poor Law functions and once again to draw particular attention to the provisions of sects. 4 and 5.

ADMINISTRATIVE SCHEMES.

Under the provisions of sect. 4, administrative schemes in respect of all Counties and County Boroughs have been made and are now in operation. Sect. 5 gave the local authorities concerned wide powers whereby they might eliminate or considerably reduce the duplication of services previously referred to. By this section they are empowered to make a declaration in their administrative schemes that any assistance which can be provided alternatively under their Poor Law powers by way of poor relief or under one or more of the seven Acts of Parliament referred to, shall be given under the appropriate Act or Acts.

It is understood that no less than 16 County Councils and 49 County Borough Councils found it possible to make provision in their schemes for declaring that some of the Poor Law services should be treated exclusively by the special Acts and not by way of Poor Law relief.

Many authorities have experienced difficulties in the way of making declarations owing to the situation and forms of structure of the institutions, but in view of the tremendous possibilities of effecting improvements in administration, of securing economy and of entirely separating the treatment of the sick from the Poor Law system, every consideration should be given to the desirability of making declarations or extending those already made as soon as the Councils concerned are in a position so to do.

The extent to which these declarations and delegations are made has an important bearing on any financial arrangements.

By *delegation* is meant the discharge of certain of the functions of the Public Assistance Committees by other Committees.

Sect. 17 of the Local Government Act, 1929, provides that separate accounts shall be kept by the Council concerned of its receipts and expenditure in respect of the functions (other than those relating to infant life protection and vaccination) transferred under Part 1 of the Act and *discharged by the Council as such*, and that those accounts shall be made up and be subject to district audit in the same manner as the accounts of a County Council.

It follows, therefore, that where the Council of a County Borough entirely abrogates its powers under the Poor Laws, the particular service is merged in the similar services already administered by the Council. In the same way the accounts of the combined services are amalgamated and will be made up and audited in the same manner as the general accounts of the Council.

The General Rate Fund Accounts of Town Councils are audited in accordance with sect. 25 of the Municipal Corporations Act, 1882, by three Borough Auditors; two elected by the burgesses, called Elective Auditors, and one appointed by the Mayor, called the Mayor's Auditor, or, as is the case in many Boroughs, by professional auditors appointed under the powers contained in local Acts.

In the event of *delegation* only, such as has taken place in many instances in connection with the treatment of the mentally defective, the maintenance of children in institutions and the domiciliary assistance given to blind persons, the financial arrangements must provide for separate accounts to be kept for these services, so that they may be submitted with the other accounts of the Public Assistance Committee for audit by the District Auditor.

It is important to note that under a *Declaration* but not in case of *delegation*, the expenditure on the service is no longer public assistance expenditure, and therefore the Public Assistance Order, 1930, does not and will not apply to services and institutions included in a *Declaration*.

The maintenance of poor children apart from their parents can conveniently be discharged by the Education Committee, but the expenditure will earn no grant from the Board of Education.

It has been suggested that in the case of any children of elementary school age who would otherwise be maintained and boarded under the Poor Law, a local education authority might make arrangements under sect. 23 of the

Education Act, 1921, for the provision of board and lodging in homes, to enable the children to receive the benefit of efficient elementary education.

The Board of Education has advised that such action would not be in accordance with the intention of the Education Act and that the legal position in this respect would not be affected by a declaration made under the Act of 1929. There will be exceptional cases to which sect. 23 of the Education Act, 1921, can apply.

COMBINATION OF COUNCILS FOR SPECIAL PURPOSES.

Local authorities, before embarking on schemes for the erection of institutions or hospitals, should give consideration to sect. 3 of the Act of 1929, which gives the power to combine councils for special purposes.

Sub-sect. (1) of this section provides that "where any two or more councils, whether councils of counties or county boroughs, consider that it is expedient that the areas of the Councils should be combined for any purpose connected with the administration of the functions transferred or to be transferred under this part of this Act and make application to the Minister for the purpose, the Minister may make an order for combining the areas of the Councils for the purposes named therein."

It should be noted that by this sub-section the initiative is left with the councils, but by sub-sect. (2) of the same section *the Minister is empowered* to take action in the direction of combining authorities if it appears to the Minister that it would tend to diminish expense or would otherwise be of public or local advantage.

It is obligatory on the part of the Minister to hold a local inquiry before making an order under this section unless all the councils concerned assent.

HOSPITALS.

There are great opportunities afforded by the Act of properly co-ordinating hospital services.

Already some of the Poor Law infirmaries in the towns and cities are equipped in a manner which will bear comparison with the best of the voluntary hospitals.

But in county areas, especially those of a rural character, the greatest possibilities as well as the greatest difficulties lie. To centralise the necessary hospital accommodation in one or two institutions large and efficient enough to become training schools for nurses is a difficult task, and more difficult still will be the avoidance of overlapping and its consequent waste.

The Act of 1929 (sect. 13) provides that a Council *shall*, when making provision for hospital accommodation in *discharge of the functions transferred*, consult with the Governing Bodies and Medical Staffs of the Voluntary Hospitals serving the Council's area.

The same statute also gives new powers to County Councils for the provision of hospital accommodation for the sick inhabitants of their County, and sect. 67 of the Poor Law Act, 1930, gives power to Councils of Counties and County Boroughs *with the consent of the Minister of Health* to contribute by way of an *annual subscription* to hospitals and other institutions.

Many Boards of Guardians made grants or gave subscriptions to local hospitals, and if these are continued by County and County Borough Councils, it may be necessary to co-ordinate such payments so as to apply to them a general principle.

A local authority making any such contributions may wish to impose conditions which will give it a reasonable share in the management of the hospital.

But goodwill and co-operation between all the bodies concerned are essential if economical expenditure on hospitals is to be secured. A reluctance to part with or close a building should not stand in the way of a progressive scheme for making the very best and fullest use of all accommodation available.

EXPENDITURE ON PUBLIC ASSISTANCE.

Large sums of money are now being expended on public social services. The total expenditure (other than out of loans for capital purposes) on public social services in Great Britain has risen from £22,644,334 in the year ended March 31st, 1891, to the sum of £375,953,509 for the year 1928. The State and local authorities are therefore spending at the rate of £1,000,000 per day in respect of Poor Law, Education, National Health and Unemployment Insurance, Widows, Orphans and Old Age Pensions, War Pensions, Public Health Services such as treatment of diseases, maternity and child welfare, the housing of the working classes, the treatment of mental defectives and similar services.

For the year 1928-29 the estimated expenditure in England and Wales on Poor Law relief alone was as follows :—

Outdoor Relief :		
Ordinary out-door poor ..	£7,877,550	
*Persons ordinarily engaged in some regular occupation ..	5,366,738	
		£13,244,288
Indoor Relief		27,005,712
Total expenditure on Poor Relief		£40,250,000

* This sum includes £3,579,141 granted to insured persons holding the Exchange Card U.I.40 and their dependants. Card U.I.40 is a receipt given at an Employment Exchange to an insured person when, on becoming unemployed, he deposits his unemployment book at the Exchange as a preliminary to obtaining unemployment benefit.

This expenditure is the equivalent of £1 per head of the population per annum.

The average number of people in receipt of relief was considerably over a million, of whom approximately one-fifth were in institutions.

A glance at these figures will demonstrate the importance of keeping the financial aspect of public assistance well in view.

FINANCIAL CONTROL.

It appears to be generally agreed that the Committees responsible for public assistance administration should be subject to the same financial regulations as other spending committees of the councils, particularly in regard to—

(*a*) Annual estimates of income and expenditure on capital as well as on revenue.
(*b*) Sanction and payment of accounts.
(*c*) Ordering of goods, including contracts and tenders.
(*d*) Internal audit.

Many administrative schemes include clauses dealing with the relationship of the Public Assistance Committee to the Finance Committee, but several County Councils have relied upon sect. 80 of the Local Government Act, 1888, which requires the appointment of a Finance Committee to control the finance of the County and defines the principal duties of that Committee.

It is safe to say that in every case the County Boroughs, although not required by Statute to do so, have appointed

Finance Committees, but their powers and duties vary a great deal.

The enormous increase in the financial responsibilities of County Borough Councils brought about by the transfer of the Poor Law functions prompts the suggestion that the time has come for it to be made a statutory obligation upon all County Borough Councils, if not all Town Councils, to appoint a Finance Committee with properly defined powers and responsibilities.

GENERAL ORDER OF ACCOUNTS.

The system and form of accounts employed by the Boards of Guardians were prescribed in detail by the Order of 1867, and subject to slight modification made by subsequent orders, remained in operation until March 31st last.

The Order of 1867 and the amending Orders are now repealed by the—

(*a*) Public Assistance Accounts (County Councils) Regulations, 1930, and

(*b*) Accounts (Boroughs and Metropolitan Boroughs) Regulations, 1930.

These Regulations, together with the Poor Law Act, 1930, the Public Assistance Order, 1930, and the Relief Regulations, 1930, govern the accounts relating to those of the transferred functions which are subject to district audit.

In view of the criticism of previous accounts orders, it may be well to draw attention to the following extract from the Ministry's Memorandum dealing with the general scheme of the Regulations :—

> "The Regulations define the *principles* upon which the Public Assistance Accounts are to be kept and the results which are to be attained. *It is only in respect of the chief accounts that they define the form and method* of the book-keeping."
>
> "They require that prompt record shall be kept of all facts and transactions which concern the accounts of the Council, and that, wherever it is desirable to relieve the chief accounts of detail by analysing, classifying and summarising matter so recorded, this shall be done in subsidiary books or statements of appropriate form. All matters concerning accounts are to be dealt with in a series of records, statements and accounts duly linked together and inter-referenced up to the point where the resultant figures are entered in the Council's ledger accounts."
>
> "*They do not prescribe forms for these primary records, statements and accounts.*"

The Memorandum goes on to say :—

> "With regard to Public Assistance, however, it is considered desirable that for the time being the forms prescribed in the Poor Law Orders for the accounts of Relieving Officers, Collectors, and Institutions should be followed."

It will be seen that the Regulations do not attempt to standardise the primary records, nor do they lay down a stereotyped form.

The Ministry, however, make important suggestions as to the principles upon which the accounting system should be organised and attention should be drawn to these, which are as follows :—

> "The regulations do not contain any provisions which would limit the discretion of a council in regard to the officers it employs or the duties it assigns to each. But, in view of the important bearing which wise allotment of duties has upon the efficiency, economy and security of the account keeping, it is thought desirable to refer here to the principles which appear to be of chief value in this connection :—
>
> "(i) That the duty of providing information, calculating, checking and recording the sums due to or from the council should be separated as completely as possible from the duty of collecting or disbursing those sums.
>
> "(ii) The officers charged with the duty of examining and checking the accounts of cash transactions should not themselves be engaged in any of these transactions.
>
> "(iii) That responsibility for the maintenance of current supervision of all accounts and records relating thereto should rest upon one chief financial officer, even when a separate departmental accountant is employed, as the efficiency of internal audit depends largely upon its independence. And that the officer charged with this duty of supervision should have access at any time and authority to apply any test or check to the accounts and records.
>
> "(iv) That responsibility for the organisation of efficient accounting systems should also rest upon *this officer* (*i.e.*, the Chief Financial Officer). But that he should in all cases consult the chief officer of the department concerned as to the form and manner of keeping any records, statements or accounts which have to be kept in that department, due regard being paid on the one hand to the provision of prompt, reliable and complete information for the preparation and verification of accounts, and, on the other hand, to the avoidance of unnecessary delay or increase of cost in the execution of work."

The principles outlined in this Memorandum are of the greatest importance to financial officers, and their responsibilities and duties are carried still further by Article 165 of the Public Assistance Order, 1930, which says :—

> "The Chief Financial Officer of the Council *SHALL* advise the Council on financial questions arising in connection with the discharge by the Council of their poor law functions."

It will be observed that in Memorandum 149 the Ministry express the opinion that it is desirable that the forms prescribed in the Poor Law Orders for the accounts of the Relieving Officers, Collectors and Institutions should be followed for the time being, and this view is confirmed in the Joint Memorandum issued by the Institute and the County Accountants' Society in February last. This is very desirable in the interests of uniformity, but the Joint Memorandum goes on to say—

> "The observations made should be regarded as indicating only the general principles to be followed; the details as to precise forms and procedure will, of course, be adapted to the particular local circumstances."

We see, therefore, that each local authority has a great deal of freedom compared with what obtained under the General Accounts Order, 1867, but in adapting any forms and systems of accountancy it is essential to bear in mind two other important points, to which the Joint Memorandum draws attention :—

(*a*) "The desirability of maintaining a system which, in its essentials, is uniform as between Counties and County Boroughs," and

(*b*) "The necessity of preparing a standard form of revenue account."

MAIN DIVISIONS OF EXPENDITURE.

The expenditure on Public Assistance may be divided into three classes :—

(i) Institutional Relief.
(ii) Outdoor Relief.
(iii) General and Establishment Expenses.

INSTITUTIONAL RELIEF.

Under this heading we shall find the expenditure in respect of the following :—

(*a*) Maintenance of institutions administered by the Council.
(*b*) Payments made in respect of cases maintained by other local authorities and voluntary organisations.
(*c*) Contributions to joint boards or joint committees.
(*d*) The maintenance of lunatics in asylums.
(*e*) Contributions to vagrancy committees.

Attention has already been drawn to the desirability of uniformity in the system of accounts, and the necessity of preparing a standard form of revenue account.

There appears to have been very little done in the past in the way of providing proper stores and costing systems in Public Health Hospitals. It is to be hoped that the opportunity now presented of remedying this defect and of dealing with the accounts of all institutions under the control of local authorities on something like uniform lines will be seized.

COSTING AND STORES ACCOUNTS.

Any stores and costing systems should incorporate not only the institutions, but farms, workshops and the like.

The old system in operation in the Poor Law Unions was very elaborate in detail, but being based on a statutory dietary scale it suffered from the faults inherent in such a system.

The particular system to be adopted will, of course, be governed by local circumstances and the structural features of the institutions, but whatever form it takes it should be subjected to proper internal audit by the Finance Department.

CENTRAL PURCHASING.

In the larger Counties and County Boroughs there appears to be an excellent opportunity of securing economies by central purchasing for the different institutions. This applies particularly to such things as clothing for inmates and patients, uniforms for staff, fuel, furniture, bedding, hardware and crockery.

JOINT SERVICES.

In some cases where institutions have been appropriated for public health services under a declaration, it may be found necessary, owing to the close proximity of the buildings and the general structural arrangements, to retain a part of the staff for both services. This refers to such officers as stewards, engineers, porters, gardeners, and the staff engaged upon the maintenance and repair of the building.

The accountancy system should provide the necessary machinery for these charges to be correctly apportioned to the proper accounts.

JOINT USER OF INSTITUTIONS.

Many authorities will find that for some time to come they will have to make arrangements with other Councils for the use of transferred institutions. Careful consideration should, therefore, be given to the basis on which the charges for such user are to be made.

There should be a definite agreement between the Councils concerned upon the proportion of the accommodation which shall be reserved or placed at the disposal of the Council requiring the use of the institutions. Provided this is done there should be some charge by way of rent, based upon the beds reserved, the total accommodation available and the value of the institution.

In fixing the amount of the rent, provision might be made to cover the expenditure on structural repairs, painting, &c., or what might be regarded as landlord's charges.

Little difficulty should be experienced with regard to such expenditure as provisions, clothing, drugs and medical necessaries. These could be apportioned upon the basis of cost per patient-day.

All other expenditure in the nature of establishment or tenants' charges could be apportioned between the respective authorities on the basis of accommodation.

SALARIES AND EMOLUMENTS.

The question of salaries and emoluments will call for immediate attention owing to the variations in practice which have obtained in different Unions in the Counties and County Boroughs. In the consideration of these matters the provisions of Article 153 of the Public Assistance Order, 1930, and the compensation and superannuation rights of the officers concerned must not be overlooked.

OUTDOOR RELIEF.

Prior to the inception of the Relief Regulation Order, 1911, outdoor relief was administered under several different regulations, and the effect of the 1911 Order was to rescind all the then existing regulations and substitute for them one uniform code. While no far-reaching changes were effected and no alterations were made in the broad principles governing the administration of outdoor relief, the Order simplified administration and allowed a greater elasticity of action to the Guardians.

For example, Article X permitted the Guardians to relieve an able-bodied man inside an institution while granting outdoor relief to his dependants ; and Article XI permitted the Guardians to afford relief, other than institutional relief, to the man himself as well as to his dependants, subject, among other conditions, to the man being set to work by the Guardians and kept employed by them. The adoption of the labour test or the modified workhouse test, or both these systems, the Local Government Board stated, would, in times of pressure, supply a valuable means of affording necessary relief without requiring the whole of the family of the recipient to enter the workhouse. The powers conferred by these two Articles, however, were only intended to deal with circumstances of an exceptional nature, a point which is emphasised by the fact that resolutions putting the powers into operation were valid for a period of three months only.

While this code of regulations well suited the days of 1911 with unemployment at a very low ebb, it proved to be quite inadequate when the trade depression of 1921 came along, bringing the number of unemployed persons to a figure perhaps never previously reached in the history of this country. The numbers in receipt of relief rose to

an alarming degree, and in view of this strain on the Poor Law administration, the Central Authority did not adopt a rigid attitude in regard to the application of the outdoor relief regulations, and to a large extent the discretion of the Guardians was unfettered.

The conditions which rendered necessary the relaxation of the regulations in the post-war years remain substantially the same to-day, and while the Relief Regulation Order, 1930, which came into operation on April 1st last, reproduces in a large measure the provisions of the 1911 Order, substantial alterations extending the powers vested in the local authorities of dealing with individual applications for relief without reference to the Minister have been made, and the new Order can be said to conform to the modern conception of public assistance administration.

The Order greatly reduces the need for making departures because it allows a much wider latitude in giving outdoor relief.

Under the 1911 Order every case in which relief other than institutional relief was afforded to an able-bodied man or to a single able-bodied woman was required to be the subject of a general or particular report to the Minister. In his circular 1097 the Minister stated that this requirement cannot now be regarded as a necessary part of administration, and, in fact, the relief to able-bodied persons, which has been extensively given in recent years in areas in which there has been heavy unemployment, has not generally been given in an institution or even on the requirement of such a condition as the performance of a labour test. He added that the new Order does not contemplate that the grant of unconditional outdoor relief in lieu of institutional or conditional outdoor relief shall involve a report to the Minister under Article 14 of the new Order, where the relief is given to an able-bodied woman. The grant of unconditional outdoor relief to an able-bodied man will only involve a departure from the Order requiring action to be taken under Article 14 if the man has been excused work, training or instruction appropriate to him under the arrangements of the Council.

In his circular the Minister draws the special attention of the Councils to the requirements contained in Article 6 (1) of the Order, that the Councils shall formulate arrangements for setting to work and training and instructing men who are capable of work. He points out that the prevention and relief of distress among the able-bodied is indeed one of the most difficult and responsible tasks facing the new Public Assistance Authorities, and that the arrangements under this Article will form one of the important parts of their administration.

In the Minority Report of the Royal Commission on the Poor Laws in 1909, the Commissioners stated :—"The enforced idleness and prolonged privation characteristic of unemployment have, on both the strong man and the weak, on the man of character and conduct and on the dissolute, a gravely deteriorating effect on body and mind, on muscle and will."

These, the Minister says, are considerations which the Councils must bear in mind in determining the action to be taken under this Article. They should endeavour to classify carefully the applicants with whom they have to deal and to devise measures appropriate to the various classes. A primary objective should be to maintain the employability of those able and willing to work so that when opportunity offers these men may have no difficulty in resuming their places in industry.

The Minister has frequently stated that he is opposed to the wholesale application of test work to men who are unable to obtain work, and he commends especially to the consideration of the Councils schemes of training and instruction such as have in the last two or three years been adopted with excellent results by a number of Boards of Guardians. Whatever arrangements are made, they should provide that adequate opportunities are given to men for seeking remunerated employment.

The institution of training schemes and instructional classes was one of the valuable constructive reforms introduced by the initiative of the Guardians, and has been the subject of appreciative comment in reports of the Ministry of Health and in Parliament.

Where schemes have been introduced it has been observed that they have had a very beneficial effect in fitting men for employment, inducing them to become self-supporting, keeping them physically fit—in fact, restoring them to economic independence.

There are, of course, men who are of such a type that they would not be suitable for, nor would they benefit from, attending instructional classes, and if the circumstances in any area are such that appropriate work cannot be provided for this class, then relief may be given unconditionally.

Under Article 6 (4) the Councils will be required to submit to the Minister a statement of the arrangements made by them; and while the first report under this provision will not be due until July 1st, 1930, the Minister wishes to be informed as soon as practicable after the appointed day of the arrangements which the Councils contemplate.

As regards the general administration of relief, this formed the subject of one of the principal points raised in the Ministry's Memo. L.G.A. 35. The Minister suggested that in view of the variation in conditions which will still remain to be considered, the Councils should proceed with caution in regard to the institution of uniform scales of relief. Whilst it is desirable that there should be some indication of a common standard to secure uniformity of treatment, the Minister says that the general and immediate imposition of a uniform scale of relief and of other uniform restrictions might lead to difficulties which could be avoided by a more deliberate course of action.

In the annual Report of the Ministry of Health for 1926-27, there are some interesting observations on this phase of Poor Law administration. It is pointed out that in a small country Union where there is only one Relief Committee and one Relieving Officer, it was probable that the Guardians would have in mind some normal rate of relief. In the larger Unions, it is stated, a scale became more important, but it is emphasised that no scale can achieve complete uniformity of action between case and case because of the variety of the circumstances which surround the various cases. Beyond that, the Report says, it is undesirable to adhere rigidly to any one scale. To do so is to limit undesirably the discretion of the Relief Committees; further, if a scale is once published there is a grave danger lest the recipients may begin to regard the gift of relief as a right.

The essence of relief administration is the exercise of discretion and discrimination in the investigation of cases and in the assessment of the amount of relief to meet the varying circumstances of the individual applicants. It is important that relief should be adequate in amount and essential to the particular needs of the applicant, and it should be of such a nature that, while it satisfies those needs, it is also in accordance with the interests of the community at large.

In a recent circular 1069 the Minister urges that in deciding on the appropriate form of relief in cases of

destitution the Guardians should be guided by the needs of the individual household and not automatically by rule.

All these factors must be borne in mind when deciding upon the policy to be pursued in the administration of relief.

The officer who is mainly concerned with the administration of outdoor relief is the Relieving Officer. His duties are fully described in the Public Assistance Order, 1930, and Article 167 (8) provides that "he shall deal with and punctually pay or administer all relief as ordered." The importance of separating the actual payment of the relief from the other duties relating to the granting of the relief is stressed in the joint memorandum previously referred to.

In the interests of sound financial control it appears desirable that in every possible case this separation should be effected.

Owing to the wider areas of counties, there must be of necessity considerable delegation of duties which will have important bearing on the financial arrangements. But the county boroughs will no doubt aim at centralisation of all financial matters in the Finance Department, and in such cases it appears desirable that the payment of relief in cash should be put on a proper system of payment under the control of the Finance Department.

In scattered districts it may be found impossible to introduce such a scheme in its entirety, but any variation should be accompanied by proper safeguards in the way of internal check and internal audit.

CENTRALISED COLLECTION.

An excellent opportunity occurs for the centralising of the collection of small sums owing to the local authorities. There is the recovery of the out-relief granted on loan, amounts due from liable relatives, amounts recovered for maintenance in institutions, maternity fees, and possibly rates payable by instalments. Instead of two or three collectors calling at one house, it should be possible for one collector to deal with the whole of the collection from one person. This also emphasises the necessity for the centralisation of the assessment of means and the keeping of a proper record or index of persons in respect of relief and other forms of public assistance. By co-operation between the committees concerned and a proper delegation of duties, this appears to be capable of achievement.

This enlargement of the work of the Finance Department also provides an excellent opportunity for the introduction of accounting machines to deal with the multitude of small transactions involved.

It may be argued that the visitation of people by Poor Law collectors is detrimental to Health Services. But if officers hitherto employed in connection with Poor Law were now employed on other duties it might help to remove the stigma of the Poor Law.

Circumstances will vary in each area, however, and full consideration will have to be given to these before introducing any particular system.

FINANCIAL ADJUSTMENTS.

There is likely to be considerable controversy in regard to the financial adjustments under the sixth schedule in respect of institutional property. Where an institution has served two councils and as from the appointed day is transferred to and has become vested in one of these councils, such a change in ownership will, *prima facie*, involve a financial adjustment. In the majority of cases it will be found that the financial adjustment will consist in the ascertaining of a sum of money to be paid to the relinquishing council in satisfaction of the latter's interest in the property.

So far as non-institutional property is concerned there is very little difficulty with regard to the basis of the apportionment, since by paragraph 3 of the sixth schedule it is provided that these properties and liabilities shall be apportioned on the basis of their values as at the appointed day between the several councils concerned in proportion to the reduced rateable values of the parts of the poor law union comprised in the several counties or county boroughs.

Unfortunately, no basis for apportionment is laid down with regard to institutional property and liabilities, and therefore it can be contended that the apportionment might be governed by one or more of the following factors :—

(*a*) Contributions.
(*b*) Population.
(*c*) User.
(*d*) Unreduced rateable value.
(*e*) Reduced rateable value.

In support of (*a*) Contributions, it might be argued that the relinquishing authority is entitled to be paid upon the basis upon which it has contributed to the acquisition of the institution. But against this there is the argument that the contributions to the common fund of the old union have been governed in the main by rateable value, a factor which may have fluctuated greatly during the life of the institution, and that by the operation of the Rating and Valuation (Apportionment) Act, 1928, together with the Local Government Act, 1929, and the Agricultural Rates Act, 1929, an entirely new position has been created. Furthermore, the contribution may have been completely out of proportion to the user and need for the institutions.

In favour of (*b*) Population, it might be argued that there is some connection between the number of inhabitants and the need for the provision of institutions, but against this the type of town and its inhabitants must be considered. In an industrial area the cost of poor law institutions and the need for such will be much higher than the cost and need in a residential area.

(*c*) User over a period of years might be contended for because it indicates the need of the relinquishing authority. Against this there is the argument that user bears no relationship to the contributions that have been made and to the ability to pay in future having regard to the effect of the new block grants.

In support of (*d*) unreduced rateable value, it can be contended that this is an easily ascertainable factor, that taken over a fairly recent period it indicates the provisions which the relinquishing authority has been called upon to make, and is an indication of what they would have continued to contribute towards the institution had the Act of 1929 not been passed. Against this it can be argued that if any payment is made the benefit of that payment is not going to be passed on to the same people who have contributed towards the cost. Any sums paid to a county, for instance, will go to the credit of the General County Fund, and not to the benefit of the parishes previously interested in the institution.

In view of the difficulties of adopting any one of the other bases, is (*e*) reduced rateable value the only alternative? It is a basis which has been laid down in the Act for non-institutional property and liabilities and the question arises, Why should not this be taken as the

basis, if it is the correct basis for non-institutional property? It will be remembered that Mr. Carson Roberts, formerly of the Audit Department of the Ministry of Health, made some comments on the adoption of this basis at the last Conference. He stated that so far as the non-institutional property was concerned the Ministry were of the opinion that values of the future were the more correct guide. In further support of this, it might be pointed out that the de-rating of land and the partial de-rating of industrial hereditaments, together with the introduction of the new formula for the payment of the General Exchequer Grant, has made a complete break in the old conditions. The relinquishing authority will have to distribute anything it may receive under an adjustment, and the authority paying any such sum will have to raise the money required upon the reduced rateable value.

No doubt many other arguments can be advanced for and against each of the factors, and had it not been that power is given to the Ministry of Health to determine by order any adjustment in default of an agreement between the local authorities concerned, many years would have elapsed and much money would have been spent in controversy and litigation.

Exemption from Stamp Duty.

Sect. 162 of the Poor Law Act, 1930, provides that no instrument made in pursuance of the Act shall be charged or chargeable with any stamp duty. Under the Stamp Duties Management Act, 1891, the expression "instrument" includes any written document.

The Ministry of Health in Circulars 1075 and 1076 refer to the previous exemption from stamp duty enjoyed by Boards of Guardians in respect of orders or cheques which follow a prescribed form and point out that the continuance of this exemption cannot be justified under the altered circumstances and would be very inconvenient in practice. Also with regard to receipts given on behalf of Boards of Guardians the similar exemption cannot be continued.

The Ministry's ruling appears to be somewhat inconsistent with sect. 162 of the Poor Law Act, 1930, and the question arises, are cheques and forms of receipt instruments made in pursuance of the Act?

Contracts with Public Vaccinators must be stamped as these are now part of the Public Health work.

Superannuation.

This subject was dealt with by Mr. Steadman at last year's Conference, but there are a few points arising out of the transfer which may be referred to.

What is the position of transferred poor law officers who came into the poor law service for the first time after November 12th, 1928? They are not as transferred officers entitled to the privileges conferred on those officers who were in the poor law service on November 12th, 1928. Where the local authority has adopted the Act of 1922 the posts can be designated under that Act, but the officers must contribute at the rate of 5 per cent. and their past service will count as non-contributory service.

The majority of nurses in the Poor Law service exercised their right to contract out of the Act of 1896. Where the local authority has adopted the Act of 1922 their position is the same as that of officers appointed subsequent to November 12th, 1928, and the posts can be designated. But these nurses must pay 5 per cent. and their previous service will count as non-contributory. The question arises whether it is expedient to designate these posts especially for those who enter as probationers.

The local authority must, if they designate the posts, pay into the superannuation fund a sum calculated by an actuary in respect of "back" service.

There is at present a scarcity of nurses, and the possibility of a deduction of 5 per cent. from their salaries, including emoluments, may not help the local authority to fill vacancies.

The need for a compulsory Superannuation Act has become more urgent with the coming into operation of the Act of 1929.

Capital Expenditure.

Article 14 of the Public Assistance Order, 1930, provides that a council may, without further consent on the part of the Minister, enlarge, alter or improve any poor law establishment and provide proper drainage, ventilation, fixtures, surgical and medical appliances and other conveniences at any such establishment, provided that the works will not in any particular instance involve expenditure exceeding £1,000 or the raising of a loan. Sect. 22, sub-sect. (2) of the 1930 Act states: "Where the Council of any County or County Borough consider it expedient to make any enlargement, alteration or improvement of any of their workhouses, or the premises, drainage or other appurtenances belonging thereto, at a cost not exceeding five hundred pounds, and the Minister gives his consent, they shall not require any order of the Minister to enable them to execute the work."

These two provisions, read together, appear to be rather perplexing, but it is thought that the proper interpretation is it will not be necessary to refer to the Minister where the expenditure in any particular instance does not exceed £1,000 and involve the raising of a loan. If this is so, it represents a modification of the old Orders as the Guardians were required to refer to the Minister whenever they proposed to make structural alterations to a poor law institution.

Conclusion.

The Poor Law Administration in Scotland has always differed in various respects from that in England and Wales. But by the Local Government (Scotland) Act, 1929, the Parish Council, as the Local Authority for Poor Law administration, was abolished from May 15th, 1930. The Poor Law functions of the Parish Councils are now transferred to the County Councils or Councils of the large Burghs. (The definition of a large burgh is a Burgh containing a population of 20,000 or upwards.)

Boards of Guardians are now a thing of the past and with them has gone the old system of Poor Law set up nearly a century ago. With this change there comes a revolution in administrative methods and in our ideas of the obligations which society owes to its members.

The first Boards of Guardians were appointed to "deter," that is, to leave a person who was destitute, by reason of poverty, sickness or old age, no choice except between starvation or the workhouse.

County Councils and County Borough Councils now have the power of bringing the old workhouse infirmary to the level of efficiency of the best voluntary hospitals in the country. It is possible for them to treat the sick as sick, the children as children, and nursing mothers as nursing mothers.

The problem of outdoor poor relief is, however, still unsolved, although the burden upon the shoulders of industrial areas has been considerably lightened by the passing of the Unemployment Insurance Act of this year.

Many other points might have been referred to, but it is hoped that sufficient has been said to prompt a useful discussion upon a subject to which considerable attention will have to be given by all local authorities and their officers, for a considerable time to come.

Reviews.

Incorporated Students' Telephone. *May*, 1930. *London: H. Foulks Lynch & Co. (Publishers), Limited, 17, Ironmonger Lane, E.C.2. (Price 2s. 6d. By post, 2s. 8d.)*

This publication, which is now well known, contains the questions set at the Intermediate and Final examinations of the Society of Incorporated Accountants and Auditors in May last, together with answers thereto by the Directors and Tutors of Messrs. H. Foulks Lynch & Co. Examination candidates will find this a useful and reliable source of information and guidance, and candidates who sat for the May examinations and failed will be interested to learn precisely where they went astray.

Manual of French Practice for Accountants and Auditors. *1st Edition. By W. H. Hargraves, A.C.A., and Georges Daumas, Barrister-at-Law. London: Gee & Co. (Publishers), Limited, 6, Kirby Street, E.C.1. (130 pp. Price 7s. 6d. net.)*

Accountants and others who are concerned with French accounts will find much assistance in this little publication. In addition to a vocabulary of words and phrases used in connection with French accounts, the book contains explanatory notes and general observations regarding French methods, together with copies of the French Commercial Code, embodying the provisions relating to commercial books of account. There are also copies of the Statutes of 1867 and 1925 (as subsequently amended) dealing respectively with undertakings which correspond to our public and private limited companies. The book would have been still more useful if it had contained an English-French as well as a French-English vocabulary.

Kerr on Receivers. *9th Edition. By F. C. Watmough, Barrister-at-Law. London: Sweet & Maxwell, Limited, 2 and 3, Chancery Lane, W.C.2. (484 pp. 18s. net.)*

The author of this well known treatise has found it necessary to make considerable revision in consequence of the property legislation of 1925 and the Companies Act of 1929. A chapter has also been added dealing with Sequestrations. In other respects the new edition is on the same lines as hitherto, and contains a very complete exposition of the law relating to receivers, both as regards those appointed by the Court, and those appointed out of Court.

The Transfer of Stocks, Shares and Other Marketable Securities. *4th Edition. By F. D. Head, B.A. (Oxon.), Barrister-at-Law. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C.2. (192 pp. Price 7s. 6d. net.)*

Mr. Head is a well known authority on transfer matters as well as other work falling within the scope of a secretary's duties, and the information contained in this publication may accordingly be regarded as reliable. Amongst the special matters dealt with are Blank Transfers, Charging Orders, Dominion Registers, Indemnities, Funding Certificates, Notices of Lien, and Powers of Attorney. With regard to all these, a great deal of useful advice and information is given which, if carefully followed, will avoid much subsequent trouble. Numerous forms are introduced throughout the text, and these are supplemented by further forms which appear in the appendix.

Guide for the Company Secretary. *3rd Edition. By W. Cecil Wood, A.C.I.A. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C.2. (498 pp. Price 6s. net.)*

The contents of this book have been considerably enlarged in the new edition, and the aim of the author throughout has been to deal with the ordinary requirements of every day routine in connection with the promotion and administration of companies rather than to enter into legal technicalities. The text is interspersed with numerous forms, of which a list is given at the beginning. These number no fewer than 76, and are more convenient when appearing alongside the explanatory matter than (as usually occurs) set out separately in an appendix. In this case the appendix contains the Companies Act, 1929, with an index, and also the Companies (Clauses) Act, 1845, which relates to Parliamentary companies. The whole range of company operations is covered, and altogether the book forms a very complete guide for company secretaries and directors.

Changes and Removals.

Mr. O. D. Ezra, Incorporated Accountant, has commenced public practice at Rustom Buildings, Churchgate Street, Fort, Bombay.

Mr. Cyril D. Gibson, of Messrs. Gibson, Whiteley & Co., Incorporated Accountants, has changed his address to 405-8, Namaqua House, Greenmarket Square, Cape Town. There is no change in his P.O. Box number or Telegraphic Address, which are 1643 and "Decision, Cape Town," respectively. Mr. Gibson is the Honorary Secretary of the South African (Western) Committee of the Society of Incorporated Accountants and Auditors, and this change of address also applies to the Society's office in Cape Town.

Messrs. Walter Hinton & Pulker have removed to Namaqua House, Greenmarket Square, Cape Town.

Mr. C. S. Sastri, B.A., Incorporated Accountant, has commenced public practice at 3, Thumbu Chetty Street, Madras.

Mr. T. W. Scollick has taken into partnership Mr. H. Scott. The practice will be continued at Pearl Buildings, Northumberland Street, Newcastle-on-Tyne, under the name of Forster, Scollick & Co., Incorporated Accountants, as heretofore.

The partnership formerly carried on under the style of Geo. R. Williams & Humphries at 26, Windsor Place, Cardiff, has been dissolved. The practice will be continued by Mr. Geo. R. Williams, Incorporated Accountant, in his own name.

Messrs. Alfred Wright & Co., Incorporated Accountants, 6, Duke Street, St. James's, London, S.W., have taken into partnership Mr. E. A. Wright, B.A., A.C.A., Incorporated Accountant. The practice of the firm will be carried on under the same style as heretofore.

DERATING APPEALS.

The Principles to be Followed.

Important Judgment by Court of Appeal.

The Court of Appeal, consisting of Lord Justice Scrutton, Lord Justice Greer, and Lord Justice Slesser, had before them last month seventeen derating appeals. Before deciding the various cases, Lord Justice Scrutton explained at some length the principles which, in the opinion of the Court, should be followed in construing the Rating and Valuation (Apportionment) Act, 1928.

Lord Justice Scrutton said: The Court has heard this group of seventeen appeals together, as they are the first cases to come to this Court involving the construction of the Rating and Valuation (Apportionment) Act, 1928, commonly known as the Derating Act, though the actual benefit of derating was conferred by the Local Government Act, 1929. So far as we can conjecture, the object of the two Acts is to benefit the manufacturers and industrial producers of England and Scotland by relieving them of a proportion of their rates at the expense of British taxpayers.

The language of the Acts has given rise to great difficulties and differences of opinion with regard to the law and facts; the result so far has been that industries which no one would suppose to be in any need of pecuniary assistance, such as breweries, tobacco factories, and newspaper proprietors, have obtained the benefit of relief from their rates. We, however, have not to frame an equitable scheme of relief and taxation; our duty is to endeavour to interpret the words in which Parliament has expressed its intention; if the result does not satisfy Parliament, it can express its intention more accurately by amending legislation.

Our task has not been made easier by the difference in appeal procedure between England and Scotland. His Lordship referred to the procedure and continued: Thus there were certainly four, and possibly five, appeals before a final decision was obtained. The procedure in Scotland by the statute was made simpler.

There were nearly 100 Scottish decisions, many of them on trades and hereditaments very similar to those coming before the English Courts. The English Courts were not, of course, bound by those decisions, though they were naturally carefully considered by them; for it was eminently undesirable that exactly similar hereditaments should be derated in Scotland, but not in England. It had been suggested that in some way the Court was to determine the fact as well as the law, reliance being had on sect. 25 of the Judicature Act, 1925, which provided that the Court might draw inferences of fact. But as the Rating and Valuation Act, 1925, by sect. 31, restricted the Special Case, stated under Baines' Act, to questions of law, the Court could not be asked to determine the fundamental facts of the case.

I now come to the question of the true construction of the Derating Act. The hereditaments to be relieved are found in the Act of 1928. The present cases are concerned with industrial hereditaments as defined in sect. 3. "Industrial hereditament means" (a word which involved a comprehensive definition, and not, like the word "includes," a definition which left something yet to be defined) "a hereditament occupied and used, subject as hereinafter provided, as a factory or workshop."

This involves two questions:—(1) What is a factory or workshop? This is answered by sub-sect. (2) that, except with regard to a particular matter therein mentioned, "factory or workshop" have the same meanings as in the Factory and Workshop Acts, 1901 to 1920. (2) What is the subsequent provision which completes the definition? This will be found in the proviso in sub-sect. (1), which is part of the meaning defined. The expression "industrial hereditament means a hereditament . . . occupied and used . . . as a factory or workshop."

This makes the complete definition to be "a hereditament occupied and used as a factory or workshop, but not primarily used for any one or more of the specified purposes," the last of which is "any purpose which is not that of a factory or workshop."

It is clear from the definition, and if not clear would be made clear by the language of sect. 4, that a hereditament will be used as a factory or workshop if part of it is so used. Sect. 4 distinguishes in the industrial hereditament the part used for industrial purposes, that is, factory purposes, and the part used for other purposes.

At this point the question occurs which has given rise to the vital difference of opinion between the English Divisional Court and the Scottish Courts, and which is of considerable pecuniary importance. In ascertaining the primary purpose of occupation and use, is the Court limited to what is happening on the hereditament itself, or may the Court look at what is going to be done with the manufactory product outside the hereditament itself? To take concrete cases: one of the purposes specified in the proviso is "of a retail shop." Suppose a factory in Birmingham makes goods for sale at a retail shop belonging to the same owner at Leeds. Can the Birmingham hereditament be properly said to be occupied and used primarily for the purposes of the retail shop at Leeds, in which case it will not be derated? Another of the purposes specified in the proviso is "the purposes of wholesale distributive business." Suppose the owner of the Birmingham factory sells all his products wholesale from his offices in Leeds, Liverpool and Manchester. Can the Birmingham hereditament be said to be primarily used and occupied for the purposes of a wholesale distributive business?

It is obvious—and the Attorney-General admitted that if this construction is correct there will be practically no derating because almost every factory makes its goods to be sold wholesale or retail—if that is to be treated as the primary purpose, there is an end to derating.

The difference between the English Divisional Court and the majority decisions of the Scottish Courts will be found stated by Mr. Justice Talbot in his judgment in the Wimbledon case (*Kerslake's* case). He treats himself as bound by the English decision in *Stoke-on-Trent Revenue Officer* v. *Stoke-on-Trent Assessment Committee and Potteries Electric Traction Company, Limited*, to hold that the Court is not merely to look at the way in which the hereditament is used, but the reason why it is so used; that this meaning is involved in the word "purposes"; and that the reason may be found outside the hereditament.

For instance, in the *Union Lighterage* case the Divisional Court will not derate a barge repairing yard, though it finds that the owner of the yard is using it as a factory, and it will not do so for the reason that the owner is carrying on outside the yard in the barges repaired the business of a carrier by water, and to carry by water is not a factory purpose. Also in the *London County Council* case (supra), the Divisional Court will not derate a printing establishment, though it is a statutory factory, because the Council carries on outside the establishment a tramway undertaking for which the establishment prints tickets, and to run trams is not a factory purpose. The Judges treat themselves as bound to decide this by their decision in the *Potteries Electric Traction* case, where on large

premises, partly used as a garage for omnibuses, the omnibus company were treated as running a factory for the purpose of their trade of running omnibuses, which was not a factory purpose.

In my opinion, this view of the word "purpose," if sound, would practically destroy the Derating Act; for almost every factory is run for the purpose of selling either wholesale or retail, and frequently outside the hereditament in question, the goods in the trade of the owner carried on outside the hereditament. If you may use these facts as the purpose, or "reason why," you will leave nothing worth mentioning to be derated; the Act did intend to give extensive relief. The Scottish Courts have not gone outside the hereditament to find the purpose.

I am not sure that the Divisional Court really appreciated the wide principle they were apparently laying down. For when they came to deal with newspapers, though the printing establishment of the newspapers was used as a factory because the proprietors of the newspapers were carrying on the trade of selling newspapers, the Court yet derated that part of the newspaper hereditament which was used as a factory.

In my view the proviso of the Act dealing with "primary purpose" was intended to cover the following state of things. You find on a hereditament something which is a factory or workshop," but you also find on the hereditament something which is not a factory or workshop—a dwelling-house, a retail shop, the offices of a wholesale distributive business, a large store. If, after considering the relevant evidence, the area of the various uses of the hereditament, their respective values, comparison of the amount of work done under each head, you are satisfied that the primary, principal, substantial use and purpose of the hereditament is non-factory, you do not derate, because the hereditament is not industrial. Unless you are satisfied of this you do derate, but may under sect. 4 apportion the hereditament between industrial or factory and non-industrial purposes. The apportionment section, however, leans towards derating, for if the total value of the hereditament is under £50 you do not trouble about carving out any non-industrial part; and if the value is over £50 you only carve out a non-industrial part if it exceeds one-tenth of the industrial part, and then only as to the excess over one-tenth.

Cases illustrating this would be where there is, in a large factory, either a small dwelling-house or a small office for a limited class of business; there the primary purpose would not be dwelling-house or wholesale business. On the other hand, if in a large shop or a large dwelling-house there is a small machine which makes a statutory factory, the primary, principal, substantial purpose would be shop or dwelling-house, and the hereditament would not be derated. But because it is found that the products of the factory are used outside the hereditament in the trade of the owner, wholesale, retail, or to carry on a trade, this finding appears to me to be no reason for treating the primary purpose of the use of the hereditament as other than a factory purpose. The use and purpose must be limited to the area of the hereditament.

As I have said, I think that the result of the Divisional Court judgments on this point is, by considering "ulterior purpose," almost to destroy derating, and some of their language seems clearly to point to "ulterior purpose" as the one to be considered. But they also put the matter on another ground. In the *Potteries Electric Traction Company's* case (supra), which they treat as the leading case, the Lord Chief Justice comes to the conclusion that whatever savoured of a factory or workshop purpose was only ancillary to the primary purpose of an omnibus company's undertaking. Mr. Justice Avory says that what is being done is done as ancillary to the business of carrying passengers: "The work which is carried on is not being done by way of trade or for purposes of gain within the meaning of the Factory Act." He and the Lord Chief Justice both rely on the decision of *Nash* v. *Hollinshead* (1901) 1 K.B., 700, which must be carefully examined. Mr. Justice Branson does not think that *Nash* v. *Hollinshead* has got very much to do with the case, an opinion in which I respectfully concur, but rests his judgment on the position that the hereditament is not occupied for factory purposes, but for the purpose of the omnibus business, which seems to be a clear statement of the "ulterior purpose" doctrine, without a recognition of its destructive effect on derating.

By sect. 149 of the Factory and Workshop Act, 1901 a factory is either a textile or a non-textile factory. A textile factory is premises on which mechanical power is used to work machinery engaged in manufacturing certain specified fibrous materials or any fabric made thereof, with a proviso that certain works, *e.g.*, paper mills or rope works, are not to be deemed textile factories. Nothing is said about the purpose immediate or ulterior, of manufacture. Non-textile factories fall under three heads:—

(1) Any works mentioned in Part I of Schedule VI, which contains twenty items, generally described as places where persons work for hire in some process of manufacture. This part of the Schedule contains "metal works," which form part of the use of the hereditaments in the *Potteries* case, and printing works, which form part of the use of the hereditament in the *London County Council* case.

(2) Any premises mentioned in Part II of Schedule VI, in which mechanical power is used in aid of the manufacturing process carried on there. This part again contains nine items, including "bakehouses," the subject of two decisions in the present group; and shipbuilding yards, the subject matter of the *Union Lighterage* case.

(3) This covers a general clause from which the Divisional Court has obtained the language it uses. The clause is not a definition of "factories," but of those factories which have not been specifically enumerated in Parts I and II of the Schedule. It is necessary, to make such premises factories (1) That manual labour is used in manufacture—a term defined very widely, including "adapting" for sale, which falls to be considered in some of the cases in the present group; (2) that mechanical power is used in any of the processes of manufacture; and (3) that the labour is exercised "by way of trade or for purposes of gain."

The Divisional Court appear to have taken the view that you do not manufacture "for trade or gain" if you manufacture to carry on a business in which you do not sell the goods, but in which you only obtain gain indirectly by the use of the goods you exercise labour on. They apparently consider themselves bound to hold this by the decision of this Court in *Nash* v. *Hollinshead*. While *Nash* v. *Hollinshead* may be justified as applicable to farming, I see no reason to extend it to cases where labour is used in manufacture to enable a trade to be carried on which does not involve the sale of goods. I think *Curtis* v. *Shinner* (22 T.L.R., 448) was wrongly decided. It appears to me that a factory making printing machines would none the less be carried on for purposes of trade because the machines were not made for purposes of themselves being sold, but only to make things to be sold.

Another question of some difficulty, perhaps involving a principle of construction, arises in the definition of

manufacture which converts places not specifically enumerated in Schedule VI of the Factory Acts into factories or workshops.

It must be borne in mind that if you exclude a hereditament from derating because there is no manufacturing process carried on in it, you are depriving the workmen of the protection of the Factories Act as well as the employers of the benefit of derating. In construing the Factories Acts, the Courts have given a wide meaning to the words.

In the present group of cases the Divisional Courts have been disposed to exclude premises where the most complicated sorting has been carried on, even where some change in substance has been produced, from derating, and even from the Factories Act, on the ground that the process is not an "adapting for sale."

In my view the question whether sorting or separation of one article to be sold from a bulk is adapting for sale depends on the facts of each particular case, and cannot be determined simply by saying "no sorting is adaptation for sale." The original bulk may be such that it cannot be sold, either legally, as in mixed seeds, or commercially, because an unsorted bulk is not wanted, and the process of sorting may be so complicated and mechanical as to deserve the title of manufacturing process—*i.e.*, of "adapting for sale." On the other hand, the bulk and the article to be sold may be so similar and of such a nature that the separation or sorting may well be regarded as an entirely minor incident of the sale or distribution. When substantial changes are made in the article I see no difficulty in holding the process to be adapting for sale. Where the process of sorting is complicated and substantial, again I think there is adapting for sale. In many cases it is a question of degree, which is, in my view, fact and not law, and not the subject of a special case.

Further, the section deals with an "article," which I think means an article to be sold.

Before proceeding to deal with each individual case, in view of the large number of cases which we are told are awaiting decision, it may be desirable to give such guidance as we can to the Courts that have to deal with these cases in the first instance. This guidance can, of course, only be temporary, until the House of Lords has an opportunity of stating authoritatively and finally the principles on which this Act is to be applied.

1. There must be on the hereditament, or part of it, a factory or workshop. 2. So far as that factory or workshop is not specified in the two parts of Schedule VI in the Factory Acts, it will be carried on "for trade or gain" if its products are to be sold in trade or directly used in carrying on a trade. The fact that the products are only used to enable a trade to be carried on does not prevent the manufacture being for trade or gain. *Nash* v. *Hollinshead* (supra) is sufficiently explained by its subject matter, farming, and the reasons given relating to that industry, and cannot be used, as it has been used in the *Potteries* case, to exclude from manufacture the repair of omnibuses for the purpose of carrying on a trade for supplying services. 3. Whether sorting operations can come within "manufacture" to make the premises a factory or workshop is a question of degree in each case. 4. A hereditament with a factory in it will be excluded from derating if the primary purpose and use of the hereditament is a non-factory purpose, but not unless this can be proved. 5. In determining the primary purpose the immediate and not the ulterior purpose is to be considered. It is not enough that a product made on the hereditament is to be sold or used for a non-factory purpose off the hereditament.

The Court then proceeded to deal with the individual cases.

Society of Incorporated Accountants and Auditors.

EXAMINATION RESULTS IN SOUTH AFRICA.

MAY, 1930.

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Graphic Methods in Business

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. A. G. H. DENT, F.S.S.

The chair was occupied by Mr. R. F. SILVESTER, Incorporated Accountant.

Mr. DENT said: The application of graphic methods to business problems is a comparatively modern development destined to become more and more extensive as their value is appreciated by business men. The fields for the use of graphic methods are numerous, and the most well known application is probably the progress chart in a modern factory. We owe to the engineer more than to anybody else the development of a method of condensing numerical and other data into an easily readable form. Since you are primarily interested in accounting statistics, and are accustomed to handling sheets of tabular data referring to net profits, inventories and similar figures, I propose to show the utility of graphs in making more intelligible a large collection of figures. I think it will be conceded that while an experienced accountant can readily grasp a given situation within certain limits from records of financial figures to which he is accustomed, those executives who have had a different training, although specialised in their own field, are generally at a loss to decipher the real meaning of tables of data and ratios. I would go further than this, and say that the experienced accountant cannot interpret from a collection of figures the real meaning of these figures as well as he could if they were statistically treated and graphically reproduced. This point is emphasised by considering a common practice of accounting reports, the recording of total figures for the year to date, figures for the current month, and total figures for previous year to corresponding date, and figures for corresponding month of previous year. The comparison of one month with another, twelve months previous, and the comparison of one period with a corresponding past period is inadequate without some knowledge of the trend of figures over these periods, their seasonal peculiarities and their relationships during this time.

In the commercial field graphs are invaluable when dealing with budget considerations and realisations, and with the relationships of sales and gross profits for lines of merchandise or for different territories, or for a group of subsidiary companies in a large system.

Those examples indicate when graphic methods can be usefully applied, and they have a service to render to management in analysis and interpretation in a very clear manner of the essential details of the business for guidance and planning ahead. Executives who are too busy to delve into the meaning of numerous masses of figures are willing to spend a short time looking at a chart which gives them a true visual impression of the study of operations. This assumes, of course, that the preparation of charts is done by someone experienced in their peculiarities and "snags."

The advantages of the graphic system are easiness to read, easiness to prepare, simplicity, compactness and comprehensiveness, wide scope and vivid presentation.

THE DEVELOPMENT OF CHARTS.

Bar Charts.

The simplest form of chart is probably the bar chart which represents figures by straight lines or bars, all small in width compared with their length, so that the eye picks out the outstanding figures immediately. If you will imagine a bar chart consisting of a dozen bars of increasing length representing sales figures for the different months of a year, each bar being drawn in proportion to its corresponding sales figure, you will see that these bars may be arranged either horizontally or vertically. Supposing we take a horizontal bunch and put them into a vertical position, spacing each bar out by the same distances from its neighbour. You then have a row of ascending bars, and it is a simple matter to draw a line through this series connecting up the top of each one. If we call the starting point or base line of these bars zero and put in a vertical scale, we have connected our bar chart into an ordinary curve with which you are all familiar. This will be the curve of sales growth throughout a year.

Arithmetic and Ratio Scales.

Now the ordinary curve is very useful, and shows us absolute quantities in a clear manner, but it has certain disadvantages: While it shows numerical growth or change from one period to another, it does not tell us visually the relative rates of growth over different periods, so that another type of curve has been evolved to give us a true visual picture of the percentage growth and rates of change in growth.

The ordinary arithmetic scale with which you are familiar shows you increases in heights from one point to another which are equivalent to definite increments, so that whether you are looking at a point £50, £100, or a point £1,000 on the curve, the same change in values has the same vertical length. In other words, the slope of your curve, which is the only thing to indicate growth, will be the same for a change of £20 in value from one date to another whether this takes place at the point £50, £100 or the point £1,000. You can easily see that in the first place the change is 40 per cent., in the second 20 per cent., and in the third place it is 2 per cent., and is therefore a successively far smaller rate of growth. For this reason the ratio chart, or semi-logarithmic chart, has been produced on which equal vertical lengths of line correspond to equal percentage changes. The scale of this type of chart may seem a bit unusual at first, but it enables you to cover a very wide range of figures which would be impossible on an ordinary arithmetic scale, and the slopes of different lines on these charts are comparable, representing true rates of growth.

It does not require a great deal of practice to discover readily that in a group of sales figures recorded on ratio charts some are increasing at higher rates than others, while some may be increasing at a decreasing rate or decreasing at an increasing rate. You can realise the importance of being able to visualise what is happening to a series of different lines of merchandise being marketed, and a chart of this kind can give you the whole story on one page, showing up any peculiarities and indicating the movement during the past period and the trend into the future.

Varieties of Bar and Circle Charts.

Returning to the subject of bar charts, there are many modifications, and a bar may represent one figure for comparison with another, or it may be a 100 per cent. bar. This second type simply means that the total length of the bar is split up into percentages represented by the proportions taken by components of a group which may be, for example, sales of one line of merchandise divided amongst a number of travellers on the road or by districts, or some similar figures.

Another form of bar chart is the "mirror" bar, which can be employed when you have two series of figures which should be related to each other, *i.e.*, each unit should be related to a corresponding unit in this series. The zero position has a centre line representing our "mirror," one set of bars being drawn from this centre line towards the left and the other set of bars towards the right. A horizontal scale is set up so that the correspondence of each bar and its "mirror" bar is immediately apparent.

Another chart similar to the 100 per cent. bar is the 100 per cent. circle or pie-chart. The whole circle is taken to represent 100 per cent., and is split up into sectors corresponding to the different percentages which it is required to show. This is easily made out by taking the different percentages of 360 degrees. Charts of this kind have been recently shown by the Empire Marketing Board on public hoardings in the form of coloured circles with black sectors cut into them to show the consumption of British products as compared with the remainder of the circle, which indicates foreign products.

Frequency Distribution Charts.

This is a chart which has many applications in business figures, and provides a clear analysis of the components of a large grouping which cannot be thoroughly understood without statistical treatment. We may consider, for example, the question of changes in volume of salaries paid in a large company from year to year. We may want to know not only the change in total, but how these totals are made up by groups of salaries of a different range. We can add up the total of salaries and divide by the number of employees to obtain what is called an average, but this is a purely arithmetical conception and does not represent a definite sum paid to a group of employees.

There are many kinds of averages, the arithmetic, the geometric, the harmonic, the moving average, the median and the mode, and the figure which interests us most in an analysis of salaries paid is the mode, which may be defined as the most commonly recurring figure, *i.e.*, that which is paid to the largest number of individuals. Pure arithmetic averages usually give too much weight to extreme figures, depending upon the frequency distribution of the series. The mode figure of a series of salaries will be best determined by taking groups of a definite range. For instance, we would analyse the total of, say 240, salaries in two different years in groups of, say, £10 range, *i.e.*, £96-105, 106-115, 116-125, 126-135, 136-145, up to, say, £185, and opposite each group we would show the number of employees earning salaries covered by each range. This will give us the frequency distribution, which may run something like this: 5, 15, 25, 35, 70, 35, 25, 15, 5. This simple analysis shows that the mode is that group in which there are 70 employees, and we see the distribution around this concentrating position which is the group 136-145. If we calculate the arithmetic average of the 230 figures of salaries shown, this is 140. The median or mid-point figure is also 140, so that we can see by the close grouping of mode, median and arithmetic average that we have a very symmetrical distribution.

Comparing this analysis with the distribution of the 230 salaries in another year, we find a new series with grouping 15, 20, 75, 45, 25, 20, 15, 10, 5. The new mode is in the group 116-125, the median is 126, and the average 131, a less symmatrical series.

The frequency distribution curve belongs to a large family, the typical example being the normal curve of error, or probability curve, which has a beautifully symmetrical distribution, and it is possible to describe a curve in this family by the location of its averages, the symmetry and the distribution on either side of the median or mid-point figure. The lack of symmetry, or skewness, and other characteristics can also be expressed to help us to identify and understand a given series of figures.

The cumulative frequency curve is an interesting development having practical applications. If we compile the series on the basis of ascending numbers, *i.e.*, totals less than a definite, increasing range each time, we obtain an S-shaped curve or ogive, and it is possible to relate the various curves of this type to the standard type representative of the family, which is the normal curve. An interesting feature of this curve of error is that it shows the mode group by inspection from the slope of the curve. You can see that using our salaries data in the first series we would have an ascending series less than £105, 5; less than £115, 20; less than £125, 45, &c., and the biggest increase would be when we added the 70 figure at "less than £145," so that this would be the steepest part of the curve.

An interesting application of the probability curve has been made on the life of some 248,000 telephone poles. The lives of these poles followed the probability distribution, and it was possible to estimate the number of replacements that would be needed each year from this form of analysis. The cumulative frequency curve of the percentage of poles lasting an increasing number of years formed an S-shaped curve similar to the pure probability ogive. We can obtain probability paper on which to plot these S-shaped curves, the scales being graduated to give a straight line to the pure probability distribution.

Types of Averages.

The importance of having a number of averages can now be seen, since an average is really a centralised tendency and the ordinary arithmetical figure may be quite unreal. In instances where a series decreases or increases by a constant percentage rather than a constant addition, the geometric average gives a more true indication of the centralised tendency. This is the *n*th root of the product of *n* numbers.

Another type of average of importance is the moving average which is used to smooth irregular curves in a time series, especially when such series shows no steady trend in any direction over long periods. For example, if we have monthly sales data we can have a three months moving average for April, which will be the sum of the March, April, and May figures divided by three. Moving averages may cover any suitable number of months, 3, 6, 9, 12, &c. We have also the twelve months moving total figure, which has a useful application in charting budget figures on what is known as the "Z" chart. Since this chart is of particular value in business figures, I propose to explain the details of its make up.

The "Z" Chart.

When the budget realisation total is recorded at the end of the year, we have a twelve months total of orders or sales ending December 31st, but since this in reality is an arbitrary period there is no reason why we should not carry on a twelve months total throughout the ensuing months and obtain a moving annual total. It will be seen that such a figure would be a valuable indicator of trend, since it automatically eliminates any seasonal variation that may be present in the data recorded. This is obvious from the fact that to obtain a moving annual total for January, 1930, we add the figure for January, 1930, to the twelve months total ending Decem-

ber 31st, 1929, and subtract the figure for January, 1929. Our "Z" chart then consists of this moving annual line stretching continuously through one year to another, and, in addition, of the cumulative monthly figures compared with the theoretical budget line to show progressive realisations during the year. In addition, we usually include separate monthly figures on a smaller scale than the other data.

Business Activity Charts.

The fields of charting are so numerous that a process of selection must be made in a short address of this kind. It is useful to obtain some standard of comparison reflecting conditions in an industry by which we can measure companies' achievements. For example, a motor car tyre manufacturer will find a valuable gauge of the real progress of his sales by plotting sales against motor car licence registration from year to year. The search for external indices in certain industries has resulted in the production of general business curves of which perhaps the most famous is that of the American Telephone and Telegraph Company. According to Colonel M. C. Rorty's article in the *Harvard Business Review*, this curve "is a composite of several of the past long term statistical series which have been specially selected because of the conformity of their movements with what seem to be the basic changes in production and distribution. In January, 1923, this composite curve consisted of eleven definite items weighted in accordance with their estimated importance. These are Pig-iron production, 20; Steel ingot production, 10; Freight car loadings, 10; Net freight ton miles, 10; Coal production, 5; Cotton consumption, 10; Activity of wool machinery, 10; Paper production, 10; Lumber production, 5; Leather production, 5; and Electric power production, 5. In the production of this composite curve allowance has been made for seasonal fluctuations and secular trend, so that the final index is expressed as the percentage of a calculated normal. The American Telephone and Telegraph Company use this curve as their indicator of business activity in the United States to provide a guide to future demand and business operations. When a business is of national importance confined to a homogeneous territory, and independent of export markets, business curves of this type have been found of great value for correlating with sales curves in planning ahead over long periods.

As accountants you are particularly interested in the graphic methods applied to financial data, so that I will describe a type of chart which will illustrate clearly the special value of graphic methods when compared with sheets of accounting figures.

Chart Analysing Unit Sales.

This chart analyses the components of a sales value, say £1, by monthly figures over a period of years. We can reduce down to components of this unit sales value its constituent items, which will be classified by accounting along the following lines, as cost of sales, selling expenses, administration expenses, dividends and surplus. Plotting these figures on one chart, we can establish a limit line along the vertical scale of our chart that represents £1, so that any curve moving above this line will show immediately loss instead of profit. Again, the fluctuations of the different components automatically reveal abnormal or special conditions.

Looking at the chart I have indicated, you will realise the value of recording so vividly for the use of executives the vital features of an income statement. This chart shows for every £1 of sales made, the cost of merchandise, the gross profit realised, the selling expenses, the administration expenses, the net operating profit, the amount of dividends and surplus. Its value lies in showing conditions over a long period, showing relationships, and indicating any abnormal adjustments which may have been made and which would require a great deal of searching to discover in the aggregated figures. Further, the definite shading of each component item, its changes from month to month, and the relationship of the curves to the normal line of £1 sales, are points that stand out quickly.

Chart of Production and Profit.

Selecting charts is a difficult matter, but I should like to add to my illustrations of the value of graphic methods a simple diagram due to Dr. Johannes Ruths, and based on his investigation into the relation between output value, cost of production, and profit in various industries. This chart indicates that a minimum number of working days per month are necessary to enable output value to cover cost of production. It is only after 20 working days per month that profitable production commences on this chart for the textile industries, but after that point changes are rapid. The chart shows clearly that if normal working is 25 days, a decrease in output of 20 per cent. means all profit lost, while an increase in production of 25 per cent. means doubling the net profit. We have assumed a fixed market value per unit of output. This graph demonstrates the importance of increased production in industry.

Economic Conditions Charts.

You may be interested in seeing certain other charts connected with economic conditions, &c. I have here a chart of general business in Great Britain prepared by the London and Cambridge Economic Service, another British chart showing the effect of the business cycle upon exports of telephone and telegraph apparatus from Great Britain, and some charts from the Conjunktur Research Institutes in Berlin and Vienna illustrating trend and seasonal variation. To show these characteristics and phenomena adequately graphic methods are essential.

CONCLUSION.

I think you will have seen enough of graphic methods to realise their usefulness. Combined with statistical analysis they tell us a great deal clearly and quickly, and this information would otherwise be unobtainable in such useful form. We must, of course, always remember that graphic methods are primarily a tool for analysis, record, interpretation, and planning ahead. They must be used judiciously, since it is easy for the inexperienced to rush ahead charting all kinds of figures that need no such treatment and are quite explanatory in their original data form. A graph must have a purpose, and should show something that could not otherwise be perceived or seen so clearly or in such comprehensive and vivid fashion. Wisely used, graphic methods have a definite and valuable function in modern business management.

Discussion.

The CHAIRMAN: I am sure you will all agree that we have had a very interesting lecture. Some time ago I encountered an interesting case. There were an enormous number of figures, statistics covering a period of something like twenty years to deal with. They were so vast in number that I thought no lawyer would ever look at them, so I devised various charts. One chart absolutely fascinated me because I could arrange the same figures in two different ways. First, by employing large spaces for the periods and small spaces for the quantities. I could show a nice even distribution. If I wanted to prove the very reverse of that chart, I could squeeze up my years and make the vertical divisions of quantities much larger, and I then showed the most terrible agitations. I produced those two charts and said: "Which do you want to prove, because I can prove either."

(Laughter.) Now, perhaps our Lecturer will warn those of us who are only students as to the great care which should be taken in drawing up charts and in the spacing of those charts. I should like him to apply some new name to this form of chart disease which results in a state of affairs that will enable you to produce two charts out of one set of figures which will prove satisfactory to either party. (Laughter.)

Mr. DENT: With regard to this dreadful stigma upon charts, of course if you are so minded you can devise means of distorting many figures. The common accusation, that figures can be made to tell anything, is still amongst us, but the figures would not "tell anything" to somebody who is acquainted with their peculiarities and habits. The scales of charts is very important. As our Chairman has said, you can so arrange a scale as to distort and give a wrong visual impression. It is only experience in chart making that will enable you to decide on a normal scale. If you analyse the figures that make up these charts you will discover by actual changes in percentage, or in absolute figures, whether or not they are changing rapidly or slowly. You say that your chart deceived you visually: the arithmetic chart which I showed you can be a terrible deceiver if you are talking about rates of change. No doubt you could go to Counsel and say: "Look at these two arithmetic lines which show the changes to be at the same rate," and he would be taken in. But he might find out that what he wanted was a ratio chart, and that you were trying to delude him. I think you can always get round these difficulties by experience and analysis.

Mr. ROGERS, Incorporated Accountant: Perhaps it would be permissible at this juncture to compliment the Lecturer on the able way in which he has lectured to us this evening. I remember that some of these charts were necessary for my Final examination, and it may be well to mention, for the benefit of those who do not know, that all these lectures are printed. Students will therefore do well to follow them very carefully and note the purpose of the charts, because they doubtless will find these very ones most useful in the examination room.

Mr. G. W. PEARS: Would Mr. Dent mind defining for us what is known in statistics as the "regular binomial curve"? I believe it to be the bell-shaped curve indicated in the charts before us this evening.

Mr. DENT: The normal curve of error—that is, the binomial curve—gives the frequency of occurrence of events subject to chance. The binomial expansion is found to typify the occurrence of random events, *i.e.*, their probability of happening. I instanced the case of the telephone poles, since the life of a telephone pole is something which is going to vary in accordance with many causes of which we know nothing. And various independent factors are acting on those poles. Somebody analysed 240,000 of them, and their life record was shown to follow a symmetrical curve, close to the normal curve of error. To go into the question of the probability curve now in detail would not be possible, as it is rather complicated. Probabilities have their mathematical and, hence, graphical expression.

Mr. H. D. MENZIES, Incorporated Accountant: To get back to the question of the spacing of graphs, is there any established practice where the spacing has no arithmetical relationship to the graph? Is there any standard practice that is followed by statisticians?

Mr. DENT: You can adjust your scales, but you do it in relation to the figures you are using. But you can make a distortionary scale, and that is what you have to be careful to avoid doing. It is largely a question of judgment, and having standards to go upon, and also visual appreciation. There are no hard and fast regulations. By experience and by seeing other curves and what they represent you can attain a reasonable scale of drawing. As a matter of fact there are extraordinarily good rules for making charts which you will find in certain American text books. In Mills' "Statistical Methods in Business" you will find useful rules for making charts and graphs.

Mr. SCOTT-MOORE, Incorporated Accountant: Would Mr. Dent tell us what would be the best graphic way of showing costs as follows? Supposing you have one hundred hospitals with different figures appertaining to each—costs per head under various sections such as medical service, nursing service, operating theatre, dispensary, domestic staff, &c. Say you have twenty heads analysed as to the cost of each hospital of the 100, what would be the best way of showing graphically the comparative costs of those hospitals?

Mr. DENT: It could be done in many ways, but the simplest way that occurs to me is to use a series of 100 per cent. bars. It all depends on what you are interested in most. If you have ten different costs making up the total costs of the hospital (100 per cent.) the difference of your relative proportions will be shown. That does not compare the totals, but it does compare the proportions of one to the other, and you can see how each hospital is being run. The object of the chart would be to show you abnormal conditions, which, of course, you would immediately investigate to ascertain causes. With such a large number of examples a classification into hospitals of similar type or organisation might be made first.

Mr. SCOTT-MOORE proposed a cordial vote of thanks to the Lecturer, which was seconded and carried unanimously.

A vote of thanks was also accorded to the Chairman for presiding.

District Society of Incorporated Accountants.

BIRMINGHAM AND MIDLAND.

The thirty-ninth annual meeting of the Birmingham and Midland Society of Incorporated Accountants was held on July 8th. Mr. E. T. Kerr, the President, occupied the chair. The Secretary presented the report for the past year. This showed a considerable increase in membership and support, which it is hoped will be reflected in the Society's activities in the current year. The audited accounts for the year ending February 28th, 1930, were presented by the retiring Honorary Treasurer, Mr. G. Horton, and after discussion were adopted.

The motion for the re-election of Mr. Kerr as President was supported by several members and was carried unanimously. Mr. Kerr, in replying, thanked the members and promised to support the Society as far as lay in his power in the future. A resolution was passed in appreciation of Mr. Platts' services to the Society as Honorary Secretary for the past six years and his name was added to the list of Vice-Presidents.

The following officers were elected:—President: Mr. E. T. Kerr, F.S.A.A.; Vice-Presidents: Mr. J. W. Blackham, F.S.A.A., Mr. J. Bridgwater, F.S.A.A., Mr. J. R. Johnson, F.S.A.A., Mr. H. Harcourt, F.S.A.A., Mr. F. M. Hawnt, F.S.A.A., F.C.I.S., Lieut.-Col. T. E. Lowe, O.B.E., J.P., F.S.A.A., Mr. T. H. Platts, F.S.A.A.; Council: the Presidents and Vice-Presidents and Officers, Mr. A. P. Bardell, A.S.A.A., Mr. E. T. Brown, F.S.A.A., Mr. D. E. Campbell, F.S.A.A., Mr. P. R. Forrest Groves, F.S.A.A., Mr. T. Hannibal, F.S.A.A., Mr. G. Horton, A.S.A.A., Mr. H. M. James, F.S.A.A., Mr. F. W. Picken, F.S.A.A., Mr. C. N. Rowe, F.S.A.A., Mr. W. S. Turner, F.S.A.A.; Education Committee: Mr. A. P. Bardell, A.S.A.A., Mr. T. H. Platts, F.S.A.A., Mr. T. Hannibal, F.S.A.A., with three student members; Honorary Secretary, Mr. Percy G. Stembridge, F.S.A.A.; Honorary Treasurer, Mr. W. L. Hand, A.S.A.A.; Librarian, Mr. W. T. Gay; Honorary Auditors: Mr. W. A. Mumford, A.S.A.A., Mr. F. C. Arthur.

The meeting terminated with a vote of thanks to the Chairman.

VALIDITY OF INCOME TAX ASSESSMENTS.

Notices sent to Taxpayers' Accountant.

Before Mr. Justice Rowlatt in the King's Bench Division last month, there was a claim by the Inland Revenue against Sir Henry Samman, shipowner, of Scarborough and Hull, and two of his former partners, G. H. Wilson and J. Johnson, for £81 18s. income tax due in the year ending April, 1919, and £799 14s. in respect of the following year. The three defendants, of whom only Sir Henry had entered an appearance, were formerly in partnership as the Samman Steam Trawler Company at Scarborough.

For the Inland Revenue, Mr. R. P. Hills said that the claim was a very old one. There was a grievance on the part of Sir Henry that he had a claim for repayment, and he also suggested that the assessments of the Scarborough Commissioners were not so favourable as assessments on other ships by the Commissioners at Hull. Sir Henry also took the line that the Revenue Authorities ought to extract payment from the other partners. That they would do, said counsel, but they wanted judgment against Sir Henry.

It was stated that the company had been wound up.

Evidence was given of the publication of the defendants' names in the list of defaulters.

Mr. J. S. Turnbull, Chartered Accountant, of Hull, stated that he had claimed on Sir Henry's behalf repayment of income tax on the basis that he (Sir Henry) was a partner in the company.

In answer to Mr. H. A. Beechman, for Sir Henry Samman, Mr. Turnbull agreed that in 1925 he protested against the repayments being held up.

In submitting the case for Sir Henry Samman, Mr. Beechman said the facts would show that opportunities sometimes existed for the Inland Revenue Authorities to use their privileges in a way that might oppress the taxpayer. He went on to say that the company at one time owned a steamship, the *St. Cyr*, which he believed was formerly a minesweeper. In 1924 that ship was seized by a bank and sold. The present claim was for tax for 1919 and 1920, but the writ was not issued until 1926, and in the meantime no attempt had been made to collect the sum due from the partners. During those years, he pointed out, the company's assets were wasting, and a trawler which in 1918 was worth £24,000, was worth only £9,000 in 1923.

Losses made in the later years had wiped out profits previously made, and Sir Henry claimed to be entitled to the repayment of a larger sum than was represented by the present demand. His claim for repayment was held up for a long time, due, counsel thought, to the heavy pressure of work on the Inland Revenue staff.

There was a good technical defence to the claim, said Mr. Beechman. He submitted that Sir Henry Samman had never been assessed, that the partnership had never been assessed, that Sir Henry never had notice of the charge, and, therefore, he was not liable to pay. He quoted authorities to show that notice of assessment should have been served on the managing owner of the ship at his place of abode, and not as was done in this case upon an accountant acting for the partnership. Consequently, the assessment was invalid.

Mr. Richard Henry Levitt, Chartered Accountant, Scarborough, said that notices of assessment relating to the partnership were received by him at his office and were marked "per Levitt."

In answer to Mr. Hills, Mr. Levitt said he transacted the whole of the income tax business for the partnership, and agreed assessments.

"Am I seriously asked," said Mr. Justice Rowlatt, "to hold, to the great inconvenience of the public, that when a Chartered Accountant is employed to deal with income tax matters, it is no good to send notices to him, but that they must be sent to the owner's house or place of business?"

Mr. Beechman said that was his submission.

Mr. Justice Rowlatt: Then the Inland Revenue will say "It is no use dealing with Chartered Accountants. We will go to the principals every time." Then what a row there will be. People will say, "Why don't you deal with our accountant?" and the Authorities will say "When the time allowed has elapsed, people might turn round and say the notice is technically wrong." Therefore they must trouble the principals. It is a naked technicality of the worst kind, but it may be that an accountant, even if he has power to negotiate and agree, is not authorised to accept service of notices of assessment.

In giving judgment, Mr. Justice Rowlatt said that a Chartered Accountant called by the defence had said that he was employed by the shipping firm to deal with all income tax matters, agree assessments, and so on. He received the notices addressed to the firm, care of himself.

His Lordship went on to say that if the relations between a principal and an accountant were fully gone into, it might appear in certain cases that there was no authority in the accountant to receive assessments, and that the assessments must be notified to the taxpayer in person.

"All I can say is," he went on, "that in this case there is no injustice done to anyone. It is a mere technicality. I am not prepared to hold that the *prima facie* evidence given by the schedule of defaulters has been rebutted, and, therefore, the Crown is entitled to recover. It is unfortunate that there should be so much trouble in this matter."

Judgment was given for the Crown for the amount claimed, with costs, and an application by Mr. Beechman for a stay of execution was refused.

Mr. Beechman said it was a way of making Sir Henry pay 24s. in the £, and was making him foot the bill for the other partners.

Mr. Justice Rowlatt: I cannot help that.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Scottish Branch.

The golf match on 5th ult. at the Belle Isle Course, Ayr, was a happy and successful gathering. The prize-takers were:—Mr. P. C. McAuslan, A.S.A.A., Ayr (78), Mr. Robert Fraser, F.S.A.A., Glasgow (79), and Mr. R. M. Kelly, Kilmarnock (79).

Members of the Scottish Branch will kindly keep in view not only the Sheffield Conference on September 24th to 27th, but also the Branch dinner on October 17th next.

A Complicated Bankruptcy.

In a bankruptcy case last month it transpired that the Sequestration had been awarded so far back as May 6th, 1929, and that the bankrupt's examination had already been adjourned several times. On behalf of several creditors it was urged by Counsel that the examination should again be adjourned for the purpose of entering into a deed of arrangement. On the Sheriff refusing to adjourn the diet for examination an appeal was taken to the Second Division of the Court of Session. At the hearing of the case the Court dismissed the appeal, the Lord Justice-Clerk remarking that the appellants had not shown any reason why the Sheriff, at the date when he refused the adjournment, was wrong in his refusal.

Scarborough Conference.

The Conference of the Institute of Municipal Treasurers and Accountants was attended by a number of Scottish Incorporated Accountants, including Mr. J. D. Imrie, M.A., B.Com., City Chamberlain, Edinburgh, Mr. D. M. Muir, Burgh Chamberlain, Dunfermline, and Mr. J. Stewart Seggie, the Accountant to the Department of Health, Edinburgh. Mr. Seggie has contributed a racy article of his "Impressions" to the *Financial Circular* for July. A bowling match took place between rinks representing Edinburgh and Glasgow, in which the former were the victors.

Scottish Local Auditors.

On 1st ult., in reply to a question by Mr. Ian Macpherson, the Secretary for Scotland stated that he had completed the appointments for this year of auditors for local audits under the Third Schedule of the Local Government (Scotland) Act, 1929, and that the desirability of distributing these appointments amongst qualified auditors throughout the country is always kept in view. We understand that the following Incorporated Accountants have received appointments under the new Act, viz:—Mr. Robert T. Dunlop and Mr. W. Hill Jack, Glasgow; Mr. James C. Cessford and Mr. D. R. Mathieson, LL.B., Edinburgh; Mr. E. Mortimer Brodie, Port Glasgow; and Mr. Robert C. Thomson, Dundee.

Some Aspects of the Future of Public Assistance.

In a recent lecture given at the annual meeting of the Edinburgh Council of Social Service, Mr. Adam Smail, of the Department of Health for Scotland, referred to the enormous sums this country was spending on public assistance. Compared with other countries, Great Britain's outlay in that direction gave food for thought. Of people requiring aid, few, if any, were unprovided for. Whether the provision was suitable or adequate was another question. Was there waste or overlapping? Those were problems which confronted them. Now that the moneys set apart for social services were relatively so plentiful, ought they not at this stage to alter their orientation? The total expenditure in 1928 was ten times what it was in 1901. Public assistance, if applied in a promiscuous way, could lead only in one direction—to the demoralisation and sapping of character. One heard of men while in receipt of poor relief marrying—to get families. Should they not work towards reducing the need for public assistance? Should not the attitude of every branch of the public assistance service be of that kind—a policy of standing people on their own feet?

A Knotty Problem.

It is not often that a problem confronts the Senators of the College of Justice which requires a full bench of all the judges. Such a case happened last month when the whole bench of thirteen judges of the Court of Session heard a debate relating to the validity of a paragraph in an Act of Sederunt passed by their Lordships in July, 1929, and to an item in the schedule relative thereto. The item challenged was a fee of 10s. imposed for recording an agreement under the Workmen's Compensation Act, where the workman was the applicant. The employers, the Carron Company, who were the pursuers, pleaded that the item of charge was *ultra vires*, illegal, and invalid, and they sought reduction of a decree against them in the Sheriff Court for payment of such a fee. It must have been rather disturbing for their Lordships to be told that an Act of the Court was *ultra vires*, &c. After a long debate the decision was reserved. It has now been decided by a majority of nine to four against the pursuers' contention.

Notes on Legal Cases.

REVENUE.

Nolder v. Walters.

Deduction of Expenses.

Rowlatt (J.) held that an air pilot could not deduct for the purposes of income tax any part of the cost of a motor-car and a telephone, which were not used in the performance of his office, but only in preparing to perform it.

(K.B.; (1930) 46 T.L.R., 397.)

Gimson v. Inland Revenue Commissioners.

Income Tax and Super Tax.

Rowlatt (J.) held that where income is for any reason not liable to income tax it is not liable to super tax.

(K.B.; (1930) L.J.N., 442.)

Towle v. Improved Industrial Dwellings Company, Limited.

Assessment of Building Let in Different Tenements.

A company owned a block of artisans' dwellings which was in the Metropolis and which consisted of self-contained flats. The dwellings were assessed in the valuation list as separate flats and not in groups, but the income tax assessment was made on the company in respect of each group approached from the street by a separate entrance, the amount of the assessment being arrived at by adding together the gross values shown in the valuation list for each flat in the group. The consequence was that the allowance for repairs was reduced and (as the company contended) that no allowance for voids or loss of rent could be claimed unless all the flats in a particular group were producing no rent. The company contended that each flat ought to be assessed separately.

It was held that under Rule 8 (*c*) of No. VII of Schedule A each group of flats was to be assessed as one house and the assessment was properly made by adding together the values of all the flats in the group.

(K.B.; (1930) 46 T.L.R., 409.)

Inland Revenue Commissioners v. Trustees of the Hostel of St. Luke.

Payments to a Charity under Deed of Covenant.

The respondents were a body established for charitable purposes only, and a subscriber covenanted by a deed made in 1927 to pay to them annually for seven years a sum which would leave to them the sum of £8 after deduction of income tax. The period between the date when the first payment was made and the date when the last payment would fall due was less than six years. The respondents claimed repayment of income tax.

By the Finance Act, 1922, sect. 20 (1) (*b*), any income which by virtue or in consequence of any disposition made by any person after May 1st, 1922 (other than a disposition made for valuable and sufficient consideration), is payable to or applicable for the benefit of any other person for a period which cannot exceed six years, shall be deemed, for the purposes of the Acts relating to income tax, to be the income of the person by whom the disposition was made and not to be for those purposes the income of any other person.

It was held that both this enactment and the deed referred to income tax years and therefore the income was not to be deemed to be the income of the subscriber but was the income of the respondents, and the respondents were entitled to repayment of the tax by sect. 37 (1) of the Income Tax Act, 1918.

(K.B.; (1930) 46 T.L.R., 412.)